



University of
**Southern
Queensland**

**CORPORATE GOVERNANCE PRACTICES OF THE
SOLOMON ISLANDS STATE-OWNED ENTERPRISES
AND THE WANTOK SYSTEM INFLUENCE**

A Thesis submitted by

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Doctor of Philosophy

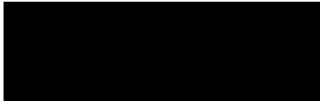
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ABSTRACT

Corporate governance practices of the Solomon Islands State-Owned Enterprises may continue to face challenges unless the *wantok* system influences are addressed strategically and culturally. The *wantok* system is a culture that is prevalent in the Solomon Islands which requires a network of cooperation, caring and reciprocal support. It is perceived as a constraining factor in socio-economic and political development in the Solomon Islands. While prior research identified the *wantok* system as a cultural constraint to development, this study explores how strategies may be implemented to enhance the acceptance of the corporate governance practices of the Solomon Islands' SOEs through understanding the influence of the *wantok* system. The study, therefore, investigates the extent to which the *wantok* system influences corporate governance practices and identifies the *wantok* system obligation that has the greatest influence on the corporate governance practices of the Solomon Islands State-Owned Enterprises (SOEs). In addition, the study identifies the strategies to strengthen the corporate governance system and the strategies to reorientate the *wantok* system to enhance corporate governance practices of the Solomon Islands SOEs. Stamkou *et al.*'s (2019) multilevel theoretical model of collectivism and tightness guided this qualitative study. Thematic analysis was applied to data gathered from semi-structured interviews and a questionnaire. A comparative interpretation was applied to the findings gathered from two participant groups: those employed in SOEs and those employed in non-state-owned enterprises (NSOEs). SOE participants were senior employees and included board members, CEOs and senior management staff. NSOE participants included senior government officers, a professional accountant, a private entrepreneur, academic staff, and the CEO and directors of civil society groups. A total of 32 participants were interviewed through 26 individual interviews and three focus groups of two participants each per group. The two participant groups differed in their views regarding the extent of the *wantok* system's influences on corporate governance practices. SOE employees viewed the influences as limited, while NSOEs believed the influences were moderate to extensive. The findings identify the common principle of mutual reciprocity as the *wantok* system obligation that has the greatest influence on corporate governance practices in the Solomon Islands SOEs. The study recommends strengthening SOE oversight roles and enhancing corporate governance mechanisms as strategies to strengthen the corporate governance system of the Solomon Islands SOEs. Furthermore, enhancing corporate governance should occur through an understanding of the authentic *wantok* system, incorporating *wantok* system guidelines as a co-support system, and promoting the *wantok* system collective welfare and social harmony values together with corporate governance principles. This study contributes to expanding the research on corporate governance practices as proposed by Brennan and Solomon (2008) and Stamkou *et al.* (2019) by employing a multilevel theoretical framework of collectivism and tightness, horizontal and vertical collectivism and Hofstede's cultural dimensions. The findings are achieved through qualitative research focusing on the government sector, and examining the influence of culture in developing countries. The findings of the study will contribute to an understanding of *wantok* system influences and to re-orientating the *wantok* system to support corporate governance. The study will be useful, not only for the Solomon Islands' SOEs, but also other organisations where the *wantok* system has significant influence. Additionally, other developing countries with similar cultural backgrounds may benefit from the study's insights and recommendations.

CERTIFICATION OF THESIS

I, Emmanuel Joseph Iyabora, declare that the Thesis entitled *Corporate governance of the Solomon Islands state-owned enterprises and the wantok system influence* is not more than 100,000 words in length including quotes and exclusive of tables, figures, appendices, bibliography, references, and footnotes. The thesis contains no material that has been submitted previously, in whole or in part, for the award of any other academic degree or diploma. Except where otherwise indicated, this thesis is my own work.



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“If I have seen further it is by standing on the shoulders of giants.” – Isaac Newton

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DEDICATION

To the memory of my beloved late grandparents, Selwyn and Francisca, who instilled in me the value of education, curiosity, hard work, perseverance and success in achieving dreams.

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CHAPTER 1: INTRODUCTION

1.1. Introduction

Corporate governance was a topic that garnered a lot of attention in the early 2000s when a number of corporate governance failure scandals in high-profile companies engulfed the global scene. The Enron and WorldCom scandals in the United States (Agrawal & Chadha 2005, p. 371), the Parmalat scandal in Italy (Ferrarini & Giudici 2006, p. 2), and the HIH¹ scandal in Australia (Hill 2005, p. 4), are a few examples of the worldwide extent of corporate governance² failure.

While measures to improve corporate governance are being carried out by the developed countries in order to avoid such scandals from happening in the future, the developing countries are still struggling to deal with their corporate governance challenges – the most challenging is the influence of culture on corporate governance (Turnbull 2000, p. 17; Rafiee & Sarabdeen 2012, p. 1). This research explores the influence of culture on the corporate governance of state-owned enterprises (SOEs) in the Solomon Islands and searches for approaches to deal with the influence of culture on corporate governance in the developing Pacific Islands' countries.

This chapter introduces the study by discussing the background and context of the study, followed by the research problem, the research aim, the research objectives and research questions, and the significance and limitations of the study. The chapter ends with the organisation of chapters for the thesis.

1.2. Background and context of the study

The *wantok* system forms an integral part of the rich culture of the Solomon Islands. Culture shapes individuals' identities, and impacts a society's social, economic and political structures. The *wantok* system is practised by people who share similarities such as speaking the same language, belonging to the same kinship groups, originating from the same geographical area, or similar ethnic, social or religious groups, which creates an expectation of

¹ HIH acronym stands for the Health International Holdings – HIH was Australia's second-largest insurance company.

² The term corporate governance is about the management of organisations and does not relate only to companies but is used also in reference to government and civil society organisations.

the fulfillment of reciprocal obligations. Similar kinds of systems are also practised in other Pacific Island countries. Kabutaulaka (1998, p. 24) states that the *wantok* system 'is similar to the *kerekere* system in Fiji' and the '*fa'a samoa* in Samoa' where they advocate cooperation among those who speak the same language. The *wantok* system is a culture that is prevalent in the Solomon Islands which requires 'a network of cooperation, caring and reciprocal support' (Nanau 2011, p. 32). There are also downsides to the *wantok* system, which include inequitable preferences given to *wantoks* in community and business dealings. Given the pervasiveness of the *wantok* system in Solomon Islands society, it would be expected that such influences are active across the sectors. This study focuses on the influences of the *wantok* system on corporate governance in state-owned enterprises (SOEs) in the Solomon Islands.

Renzio (2000, pp. 21 - 3) identified five *wantok* system obligations: (a) common language (*wantok* = 'one talk'), (b) common kinship group, (c) common geographical area of origin, (d) common social associations or religious groups, and (e) common beliefs in the principle of mutual reciprocity. For this study, these five *wantok* system obligations will be referred to throughout the thesis as follows: (a) language, (b) kinship, (c) geographical area of origin, (d) social associations or religious groups, and (e) mutual reciprocity. The *wantok* system practices are honoured and adhered to because of the obligations each person has through these commonalities.

In terms of corporate governance, the Solomon Islands SOEs went through reforms in the early 2000s culminating in the passing of the SOE Act in 2007 and the promulgation of the SOE Regulations in 2010. The SOE Act 2007 and SOE Regulations 2010 provided mandatory guidelines for corporate governance practices. The term corporate governance emerged after the SOE reforms and the enactment of the SOE Act 2007 (S.I. Government 2007) and the SOE Regulations 2010 (S.I. Government 2010). Prior to the reforms, there was little knowledge concerning appropriate corporate governance practices in the Solomon Islands.

1.3. The problem statement

The study of *wantok* system influence on the corporate governance of the SOEs is important for many reasons. Firstly, the Solomon Islanders still depend on the *wantok* system and it is pervasive across all sectors (Devesi 2018, p. 235). The *wantok* system is widely practised (Hauriasi & Davey 2009, p. 232). However, it has been perceived as one of the constraining factors to socio-economic and political developments in the Solomon Islands (ADB 2011; Haque 2012). While prior research identified the *wantok* system as a cultural

constraint to development, there is minimal research on the influence of the *wantok* system on corporate governance in the Solomon Islands.

Secondly, a study of the corporate governance of the Solomon Islands SOEs is important because there are no defined corporate governance guidelines developed for the SOEs in the Solomon Islands. This absence of established guidelines can be challenging in a country where the *wantok* system is widely practised. The *wantok* system is embedded in the Solomon Islands' culture and people believe that they have an obligation to uphold the *wantok* system wherever they live and work, not only throughout the country but even abroad.

Thirdly, the SOEs play a significant role in the Solomon Islands economy. SOEs represented between 16 – 28% of gross fixed investment in the economy that the SOE sector controlled in 2020 (ADB 2023, p. 57). The government also supported the SOEs through Community Service Obligation (CSO) under Section 8 of the SOE Act 2007 and part 6 of the SOE 2010 Regulations with an amount of SBD\$69 million (approximately US\$8.2 million) from 2011 to 2020. The services provided by SOEs in the Solomon Islands cover major sectors in the country including power, water, port services, airline services, commodities export marketing, postal services, broadcasting services, investment corporation and airport services (Pacific Private Sector Development Initiative 2016). Hence, a study on the *wantok* system influence on corporate governance of the Solomon Islands SOEs is deemed necessary and important. The current study, therefore, focuses on the *wantok* system influence on corporate governance practices of the Solomon Islands SOEs. The aims of the research, research objectives, and research questions are discussed in the next section.

1.4. Research aims, objectives and questions

The study aims to explore how strategies may be implemented to enhance the acceptance of corporate governance practices of the Solomon Islands' SOEs through understanding the influence of the *wantok* system. The first objective of the study is to investigate the influences of the *wantok* system on the corporate governance practices of the Solomon Islands SOEs. The second objective of the study focuses on the identification of various strategies that can be undertaken to strengthen and reorientate the SOEs' corporate governance practices. These two main research objectives are achieved through the following four research questions (RQs):

RQ1: What is the extent of *wantok* system influence on the corporate governance practices of the Solomon Islands SOEs?

RQ2: Which of the *wantok* system obligations has the greatest influence on the corporate governance practices of the Solomon Islands SOEs?

RQ3: What strategies can be adopted to strengthen the corporate governance system of the Solomon Islands SOEs?

RQ4: What strategies can be adopted to reorientate the *wantok* system to support the corporate governance practices of the Solomon Islands SOEs?

1.5. Theoretical framework

A multi-perspective approach is used for this study since a combination of theories is necessary for a complete discussion (Eisenhardt 1989; Willcocks 2002). Braun and Latham (2009) state that selecting relevant theories allows for a comprehensive and meaningful understanding of the study. The current study uses two theoretical perspectives: theories of culture and theories of corporate governance.

The theories of corporate governance help to explain the corporate governance practices of the SOEs. Two dominant theories of corporate governance are the agency theory and the stakeholder theory which will be discussed in the next chapter. The agency theory helps to explain the corporate governance challenges that usually occur between the principals (owners) and the agents (managers) who have conflicting objectives. Traditionally, agency theory considers corporations where the goals of shareholders are to maximise the return on the investment and the goals of managers are to maximise their pay and conditions (Eisenhardt 1989, p. 58). Furthermore, it is suggested that there is an information asymmetry between owners and managers. Managers are involved in the day-to-day operations of the organisation and are more knowledgeable about the organisation, whereas owners are dependent on the reports of the managers for their knowledge. Similarly, when considering SOEs, their purpose is to support the governments by providing services throughout the various sectors in the country, therefore, following agency theory, the owners of the SOEs are the government.

The SOEs in the Solomon Islands have dual obligations to fulfil. The principle objective of all SOEs in the Solomon Islands as stipulated in the SOE Act 2007 is to be profitable and efficient as well as provide services in the country (S.I. Government 2007, p. 7). With this objective, there may be conflicting goals between the government and the SOE managers. While the government would like to realise annual returns at the end of each financial year and an expansion of services throughout the country, the SOE managers may consider such

exercises too costly for the SOEs which may result in either a lower profit or a financial loss. The SOE managers may like to see their SOEs make substantial profits so that profitability can be used as a basis to seek increases in remuneration and other fringe benefits.

On the other hand, the stakeholder theory helps to explain the corporate governance challenges focusing on all identifiable stakeholders of the organisation, that is the parties that have an interest in the operation of the organisation (Turnbull 2000, p. 30). The ethical branch of stakeholder theory considers all the stakeholders (including the state) of the SOEs. Without their support, the SOEs may cease to operate or exist. Stakeholder theory will be used in the study since it involves broader networks, emphasises interdependence and reciprocity and aligns with the cultural norms of the *wantok* system.

The theories of culture help to explain and provide insights into the *wantok* system practices in the SOEs. Firstly, Hofstede (2011) six cultural dimensions are used as a framework to examine the influence of culture on the SOE leaders' decisions and practices. Hofstede's theory of culture seeks to provide a framework for understanding how cultural differences influence behaviours, values, and attitudes across societies. Further discussions on Hofstede's six cultural dimensions are covered in Chapter 3.

Secondly, the collectivist and tightness culture theories are used to examine adherence to the existing norms. Collectivist culture is a cultural context in which individuals prioritise the needs and goals of their ingroup such as their family or community over their individual needs and goals (Fan et al. 2022). People tend to have strong social bonds and a sense of obligation to their ingroup, and they may be more likely to cooperate and collaborate with others in their ingroups. Collectivist culture emphasises the interconnectedness or interdependence with social groups such as families, tribal groups or communities and adherence to shared norms and values (Triandis & Gelfand 2012, p. 8). Cultural tightness is described as the strength of social norms and the degree of sanctioning within societies (Gelfand et al. 2006, p. 1226). People in tight cultures have less variation in their behaviour and are held more accountable for their behaviour than people in loose cultures.

The traditional *wantok* system has evolved to its present form due to a number of influences. Firstly, there was the arrival of the colonialists and missionaries. When the Solomon Islands gained its independence in 1978, further ideologies were introduced. The study is also interested in the individualist and looseness culture theory within the individualist-collectivist dimension continuum of Hofstede's cultural dimensions. These theories will assist in

explaining the broad acceptance of new norms within society, especially in the city and in the urban centres.

Horizontal collectivism and vertical collectivism further complement the cultural tightness-loose theory. In collectivist cultures, the vertical pattern stresses hierarchy and sees some members of the ingroup as more important than most members of the ingroup while the horizontal pattern stresses equality and includes a sense of social cohesion and oneness with members of the ingroup (Rokeach 1973). These concepts are important to the study because it would be expected that the *wantok* system would influence the decisions and the practices of the SOE leaders. Hofstede's cultural dimensions provide valuable insights into the cultural differences between societies and how these differences can influence various aspects of human behaviour, including organisational and community practices, management styles, communication patterns and decision-making processes.

While a theory explains why something happens, a theoretical model shows how to use a theory to explain the results or why certain actions are taken. Stamkou et al. (2019) multilevel theoretical model of collectivism and tightness provides a suitable theoretical framework for this study. The study uses a modified version of Stamkou *et al.* (2019) multilevel theoretical model and integrates collectivism and tightness theories, along with horizontal and vertical collectivism attributes to provide valuable insights into how culture influences the SOE leaders' behavioural decisions and corporate governance practices. The theories of corporate governance help to provide an understanding of the corporate governance practices that are not complied with by the SOE leaders due to the influence of culture.

1.6. Methodology

The current study used two primary data collection methods, a questionnaire and semi-structured interviews. Research question one (RQ1) seeks to determine the extent of *wantok* system influence on corporate governance practices of the Solomon Islands SOEs. A questionnaire is suitable to gather data for answering RQ1, and all the participants preferred an online questionnaire to a paper questionnaire. The questionnaire was designed to capture the demographic information and the Likert scale questions were used to explore the participants' views on the extent of the *wantok* system influences on corporate governance practices of the Solomon Islands SOEs.

To obtain contrasting views and perceptions from two perspectives, internal (within SOEs) and external (outside of SOEs) participants, the study chose two participant groups:

SOE and NSOE. The SOE participants were senior employees of SOEs and included board members, CEOs and senior management staff. The NSOE participants included senior government officers, a professional accountant, a private entrepreneur, academic staff, and the CEO, director and office manager of the civil society groups. A total of 32 participants participated in the questionnaire. The same participants also took part in the interviews for the current study.

A preliminary meeting was held with each participant to introduce the research project and organise a time for the formal interview. The online questionnaire link was given to participants at the end of these meetings and the participants were asked to complete the online questionnaire before their formal interview meeting date. When the closing date for the online questionnaire was reached, data was exported to Microsoft Excel for further analysis. The field research work for the study was conducted over a period of four months in Honiara, Solomon Islands during the months of August to November 2021. Detailed discussions of the questionnaire are covered in Chapter 4.

Research questions RQ2, RQ3 and RQ4 involve seeking to explore and understand the experiences and meanings that people bring with them. A qualitative design approach is suitable for answering research questions RQ2, RQ3 and RQ4, as one of the aims of the study is to generate new knowledge through understanding the participants' experiences (Dennis 2014, p. 400). This study does not focus on a single or collective case study of the Solomon Islands SOEs but a cross-sectional study on the different people working in or having an interest in the SOEs, in the various sectors of the Solomon Islands.

Qualitative interviews are a common form of data collection (Oakley 1998) and a powerful way in which to understand human beings (Bryman 2016). A total of 32 participants were interviewed through 26 individual interviews and three focus groups of two participants each per group. The interviews lasted on average between 30 minutes and more than an hour. After completing each interview, a short note outlining important points and or impressions was prepared. All interviews were audio recorded and later transcribed. The audios were replayed to ensure answers provided by the participants were correctly recorded in the final transcripts.

The second reading of the transcripts and first coding included a single word, a full paragraph, or a full page, in preparation for the third reading and second coding. The second coding was in line with the interview questions and categorised under the four research

questions and the themes identified in the literature. Coding according to patterns was the last stage of the process and this involved the reorganisation and merging of initial codes according to the predetermined issues/themes identified from the literature.

1.7. Significance of the research

1.7.1. Contribution to knowledge

This study makes four contributions. Firstly, it extends the existing knowledge by filling the knowledge gap on the corporate governance challenges faced by developing countries in contrast to many studies that have been conducted in the developed world. Secondly, the study broadens the frontiers of corporate governance research as proposed by Brennan and Solomon (2008) through the multilevel theoretical framework of collectivism and tightness. Thirdly, profound insights are generated through qualitative research on the impact of cultural influences on the state-owned enterprises sector. The final contribution provides an avenue for future research to examine the influence of culture in various organisational settings in other developing countries.

1.7.2. Contribution to practice and practical application

The findings of the study contribute to an understanding of the *wantok* system's cultural influence on corporate governance practices of the SOEs in developing countries. The findings will be of interest to the governments of the developing countries that have similar cultural issues with the governance of their SOEs. The findings will assist the governments and the SOEs to take into account pertinent issues relating to culture for the success of the SOE reform programs.

Finally, the study provides a basis for academics, governance specialists/ practitioners and regulators to carry out future research on the *wantok* system or culture and the corporate governance of SOEs in the Solomon Islands and other developing countries of Oceania and other regions of the world. Additionally, other developing countries with similar cultural backgrounds may benefit from the study's insights and recommended strategies.

1.8. Limitations of the study

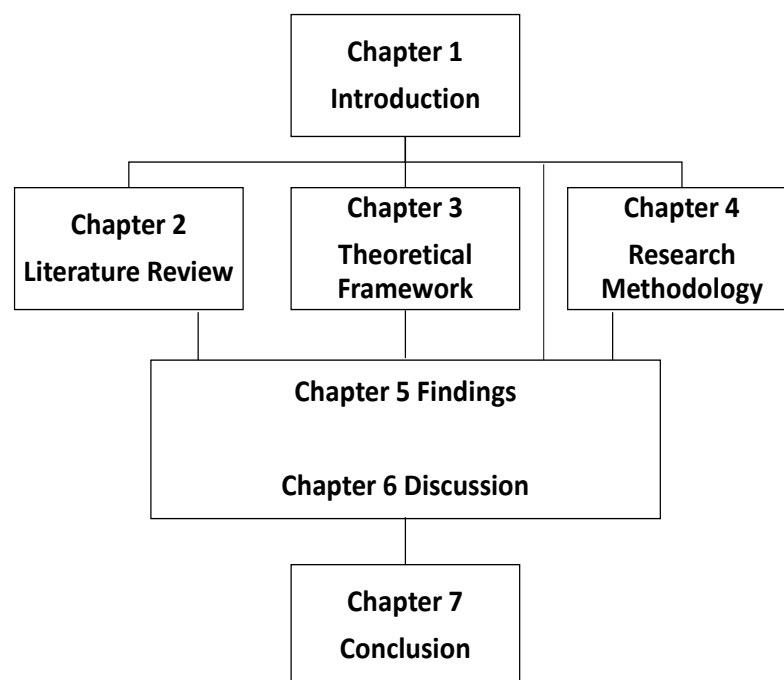
There are several limitations to the study. Firstly, the cross-sectional design used in this research has some limitations. The study is limited by the use of reported data gathered during the interviews and questionnaire and does not include observations or content analysis. Secondly, the study is not a longitudinal study but a 'one point in time' set of information that

may vary over time due to changing environmental circumstances, and its generalisability is limited due to the small number of participants. Thirdly, the findings of this study may not be generalisable as they represent the perceptions and experiences of only the participants who took part in the study in the context of the Solomon Islands. Regardless of the limitations and the challenges faced, the researcher has achieved the objective of interviewing more than 30 participants. The participants provided sufficient information to answer the questions prepared for this qualitative study.

1.9. Organisation of chapters

This study is divided into seven chapters. The structure of the thesis is presented in Figure 1 below.

Figure 1: Structure of the thesis



Chapter one introduces the study. It provides an overview of corporate governance and a brief background and context of the study. The problem statement, research aim, objectives and questions, theoretical framework, methodology and significance of the research were discussed including the limitations of the study. Chapter one also provides the outline, or the structure of the thesis as presented in Figure 1.

Chapter two provides the literature review for the study. The chapter starts by providing a brief history of corporate governance, corporate governance systems and mechanisms, the challenges faced as a consequence of the corporate governance failures in the early 2000s and the measures taken after these failures. The chapter introduces cultural influence on corporate governance as one of the challenges faced by developing countries. Solomon Islands as one of the developing countries also faces corporate governance challenges with the *wantok* system, a culture that is prevalent in the country. Prior to discussing the *wantok* system, the chapter provides brief background information about the SOEs, the Solomon Islands SOEs and corporate governance. The chapter discusses some studies on the *wantok* system and the importance of studying the influence of the *wantok* system on corporate governance practices of the Solomon Islands SOEs.

Chapter three provides the theoretical framework of the study. It explains the multi-perspective approach to the study which involves two sets of theories: theories of culture and theories of corporate governance. Theories of corporate governance are covered in Chapter 2 while the theories of culture are covered in Chapter 3. The discussion on the theories of culture begins with a review of Hofstede's six cultural dimensions, followed by a comparison of the scores of four countries, Australia, Fiji, Indonesia and the United States. Based on Hofstede's cultural dimension for the assumed rating or scores for Fiji, this study identified the Solomon Islands with the scores of Fiji because of their similar culture since the Solomon Islands is not included in the list of countries for Hofstede's cultural dimension. The chapter further discusses the additional aspects of culture. Firstly, the recognition of a combination of collectivist and tightness (adherence to existing norms) versus individualist and looseness (broadening of the acceptance of new norms) within a collectivist-individualist dimension continuum. Secondly, the identification of the additional horizontal and vertical attributes within collectivist societal norms. The chapter highlights the collectivist-tightness cultures in a few Pacific Island countries, Fiji, Samoa and Papua New Guinea. Following the discussion on culture, the chapter discusses Stamkou *et al.*'s (2019) multilevel theoretical model and how these cultural theories bring insights into the *wantok* system practices in the Solomon Islands SOEs.

Chapter four describes the research methodology used for the study. It begins by explaining why a qualitative approach is suitable for this study. The chapter then discusses the research strategy, research process, and the selection of potential participants for the study. It further discusses the data collection methods used in the study, the participants who took part in the study, the analysis of the data and the research limitations.

Chapter five presents the findings according to themes. The findings are based on the data gathered from the questionnaire and interviews gathered during the four months from August to November 2021 in Honiara, Solomon Islands. Chapter six discusses the findings of the study and compares and contrasts them with the theories and prior literature. The chapter has the following sections: (i) the extent of *wantok* system influence on the corporate governance practices of the SOEs, (ii) the influence of *wantok* system obligations on the corporate governance practices of the SOEs, (iii) mutual reciprocity, the *wantok* system obligation that has the greatest influence on the corporate governance practices of the SOEs, (iv) two possible explanations for the *wantok* system influence on the Solomon Islands SOEs, (v) the strategies to strengthen the corporate governance system of the SOEs, and (vi) the strategies to reorientate the *wantok* system to support corporate governance practices of the SOEs.

Chapter seven completes the study with a summary of the key findings of the research and their implications for contribution to knowledge and application to practice. The limitations are discussed, and the chapter ends with suggested directions for further research.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

The chapter provides the literature review for this study. The purpose of the literature review is to provide relevant literature on the two focal areas that relate to the topic of the current study, 'The influence of the *wantok* system on the corporate governance practices in the Solomon Islands SOEs.' The two key focal areas of the study are: i) Corporate governance and ii) the *wantok* system, a culture that is prevalent in the Solomon Islands. The discussion on the different types of cultures and theories will be covered in the next chapter, chapter 3. The focus in this chapter is limited to corporate governance and the *wantok* system.

This chapter is divided into eleven sections. Section 2.2 provides a brief history of corporate governance. Sections 2.3 and 2.4 discuss corporate governance systems and corporate governance mechanisms. Sections 2.5, 2.6 and 2.7 provide discussions on corporate governance challenges, the measures taken after the early 2000 corporate scandals and newer approaches to the frontiers of corporate governance research.

Section 2.8 discusses the influence of culture on corporate governance while Section 2.9 provides a brief background of the SOEs, Solomon Islands SOEs and corporate governance in the Solomon Islands SOEs. Sections 2.10 and 2.11 review the literature on the *wantok* system, a culture that is prevalent in the Solomon Islands, and some studies on the *wantok* system and governance in the Solomon Islands. Prior to developing conclusions, the importance of studying the influence of the *wantok* system on corporate governance practices of the Solomon Islands SOEs is discussed in Section 2.12. The chapter ends with Section 2.13, the conclusion section of this chapter. The next section begins with a brief history of corporate governance.

2.2 Brief history of corporate governance

Corporate governance may never have one definite historical origin, 'given the vastness of the subject' (Cheffins 2012, p. 1). Cheffins (2012, p. 1) further stated that the 'history of corporate governance might have extended back at least to the formation of the East India Company, the Hudson's Bay Company, the Levant Company and the other major chartered companies launched in the 16th and 17th centuries.' However, the term corporate governance was initiated by Berle and Means in their first publication, 'The Modern Corporation and Private Property' in 1932 (Branson 2001, p. 605). Berle and Means (1932) sought to explain why a firm with several shareholders (owners/principals) vested control in a manager (agent)

who may not have substantial shares in the firm and why the shareholders called for more transparency, voting rights and accountability under this transfer of vested control. Giving power to the manager (agent of the principal) creates a corporate governance challenge. Conflicts can result from the competing interests of the principal (owner) and the agent (managers/directors).

It has been noted that ‘in the decades following the World War II, the US had experienced a prolonged economic boom and therefore, the governance was not a priority’ (Cheffins 2012, p. 2) and the term ‘corporate governance was not in use’ (Greenough & Clapman 1980, p. 917). Cheffins (2012, p. 2) pointed out that it was in the mid-1970s ‘that the Federal Securities and Exchange Commission (SEC) brought corporate governance on to the official reform agenda’, and he further stated that ‘the term corporate governance first appeared in the Federal Register, the official journal of the Federal Government in 1976.’

The inclusion of corporate governance as a subject for academic research in the US was developed after the Second World War. The academic research became more prominent in the UK in 1992 with the release of ‘The Cadbury Report, the Financial Aspects of Corporate Governance’ (Kendall 2022). The Cadbury Report produced one of the commonly used definitions of corporate governance: ‘a system by which firms are directed and controlled’ (Cadbury Committee 1992).

Almost a decade after the Cadbury Report, Sir Adrian Cadbury, in contributing to the forward of the World Bank Report stated that ‘corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals...the aim is to align as nearly as possible the interests of individuals, corporations and society’ (Iskander & Chamlou 2000, p. iv).

A much broader definition was provided by Hillary Sale from the US:

The term “corporate governance” is widely used to refer to the balance of power between officers, directors, and shareholders. Academics often discuss it in the context of regulating communications and combating agency costs where corporate officers and directors have the power to control the company, but the owners are diverse and largely inactive shareholders. Good corporate governance, then, allows for a balance between what officers and directors do and what shareholders desire. The term implies that managers have the proper incentives to work on behalf of shareholders and that shareholders are properly informed about the activities of managers. (Sale 2004, p. 460).

The other corporate governance definitions began to emerge in the early 2000s. The OECD³ through requests from its members released a set of corporate governance principles (OECD 2004).

The OECD described corporate governance:

as involving a set of relationships between a company's management, its board, its shareholders and other stakeholders, and it provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined. (OECD 2004, p. 2).

OECD later released another set of corporate governance guidelines for state-owned enterprises in 2005 (OECD 2005). The most recent version of the corporate governance guidelines for state-owned enterprises was released in 2015 (OECD 2015). In September of the same year, 2015, the OECD released the updated version of the OECD 2004 release, the G20/OECD principles of corporate governance, however, the definition remains the same.

In Australia, the earlier version of ASX⁴ corporate governance principles described corporate governance as 'the system by which companies are directed and managed' (ASX Corporate Governance Council 2003, p. 3). This definition is somewhat similar to the definition provided by the UK's Cadbury Report in 1992. The ASX corporate governance principles definition further continued to describe how a corporate governance system:

...influences how the objectives of the company are set and achieved, how risk is monitored and assessed, and how performance is optimised. 'Good corporate governance structures encourage companies to create value (through entrepreneurship, innovation, development and exploration) and provide accountability and control systems commensurate with the risks involved' (ASX Corporate Governance Council 2003, p. 3).

The recent definition of ASX corporate governance principles described corporate governance as 'the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled within corporations. It encompasses the mechanisms by which companies, and those in control, are held to account' (ASX Corporate Governance Council 2019, p. 1).

³ OECD is the acronym for the Organization for Economic Cooperation and Development. OECD is a unique forum where the governments of 38 democracies with market-based economies collaborate to develop policy standards to promote sustainable economic growth. The Headquarters is in Château de la Muette, Paris, France.

⁴ The ASX is Australia's primary securities exchange, where various financial instruments, including stocks, bonds, and derivatives, are traded. It serves as a marketplace for companies to list their securities and for investors to buy and sell those securities.

The Hayne Royal Commission in Australia provided a further definition of corporate governance:

All of the structures and processes by which an entity is run. It embraces not only by whom, and how, decisions are made, but also the values or norms to which the processes of governance are intended to give effect. Notions of accountability lie at the heart of governance. (Hayne 2019, p. 392)

One of the most recent definition of corporate governance is outlined by Griffiths (2021, p. 18): ‘the processes of adopting and maintaining corporate values and objectives, of ensuring transparency, of accepting accountability and of confronting corruption’.

These definitions are only examples of the many definitions of corporate governance developed and used over the past three decades. However, common among these definitions is the desire to address the central problem of corporate governance, the separation of ownership and control by promoting sound management processes and the need for accountability⁵. Secondly, the nature of the definitions depends on the corporate governance system adopted by each country and the region of the world in which the country is situated. The next section discusses the two main corporate governance systems.

2.3 Corporate governance systems

The literature identifies two main corporate governance systems: market-based (market-oriented) and group-based (network-oriented) governance systems. The market-based governance system normally adopts the shareholder model approach. The emphasis is on the primacy of ownership and property rights and focus is on returning a profit to the shareholders over the long term (Weimer & Pape 1999, p. 153). From this viewpoint, ‘employees, suppliers and other creditors have contractual claims on the company’ (Braendle & Kostyuk 2007, p. 6). This governance system which is also called the shareholder model is common in Anglo-Saxon countries such as the US, UK, and Australia (Ntongho 2016, p. 525). A theory that helps to explain the corporate governance challenges under this system is the agency theory. Agency theory explores the relationship between the principals and agents in the business. The principals make decisions, and the agents act on these decisions or the power for decision-

⁵ Although the term corporate governance was initially used in relation to corporations (companies), it has now been extended to include different types of organisations and so this term will be used throughout this research. While state-owned organisations do not have shareholders, nevertheless it is critical to promote sound management processes.

making is designated to the manager by the principals and therefore a mechanism⁶ must be implemented to monitor the actions of the manager so that such actions are in the interest of the shareholders. In the corporate governance control and monitoring mechanism, the agency relationship exists between the shareholders and the board of directors/management of a company. The board of directors/management of the company represent the views and the interest of the shareholders or the owners of the company. This representation does not include the views of other stakeholders such as the employees, creditors and other important stakeholders (Turnbull 1997).

The group-based governance system focuses on the interests of not only the shareholders but also other stakeholders in which the company operates (the employees, suppliers, creditors, tax authorities and the community). In other words, the group-based governance system focuses not only on satisfying shareholders' or funding authorities' needs but also on satisfying societal expectations. A theory that helps to explain the corporate governance challenges under this system is the stakeholder theory. The stakeholder theory of corporate governance focuses on the effect of corporate activity on all identifiable stakeholders of the company (Turnbull 2000). This theory can be applied to all types of organisations, not just companies. The basic assumption of the stakeholder theory is that the organisation exists to serve its stakeholders. These stakeholders are those who, without their support, the organisation would cease to operate or exist.

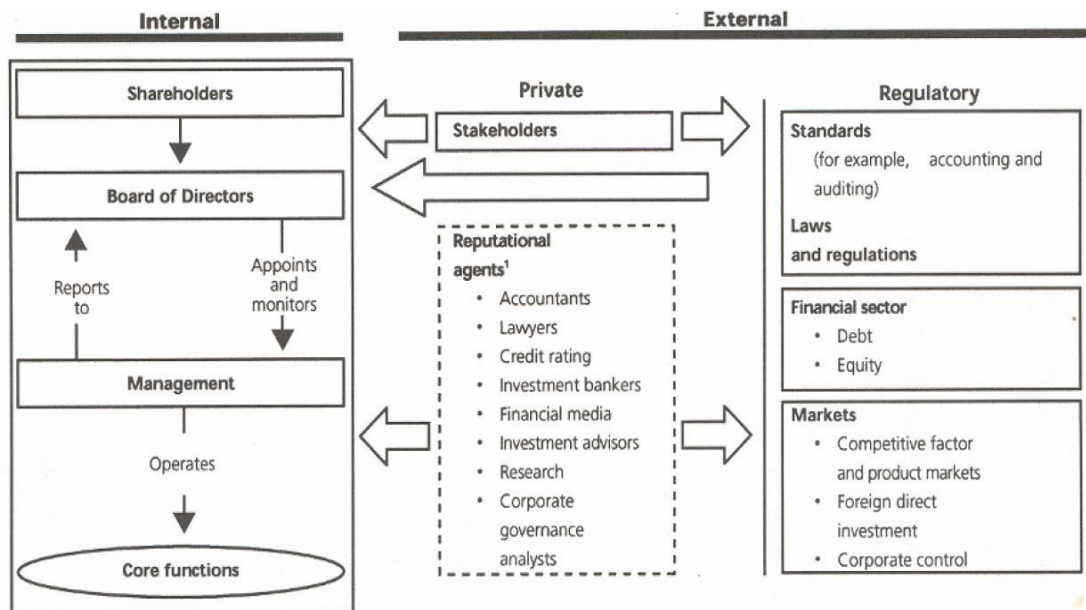
The stakeholder approach is common in Continental Europe and Asia. This type of system is similar to the Pacific Island countries. Robertson (2023), a governance specialist of the Pacific Legal Network discussed companies in the Pacific declaring that they 'operate in a sort of eco-system in which each is reliant on its customers, suppliers, financiers, landlords and advisors, who are in turn reliant on it and, indirectly on each other'. He also underscored the fact that companies require a robust culture that ensures business is undertaken with reliable parties, and this culture needs to be fit for current purposes to underpin meaningful governance practices (Robertson 2023). The next section discusses the corporate governance mechanisms.

⁶ A more detailed discussion on the corporate governance mechanisms is covered in Section 2.4.

2.4 Corporate governance mechanisms

To comprehend corporate governance systems it is necessary to have an understanding of the internal and external aspects (CIPE 2009, p. 20). Figure 2 is the World Bank chart that shows the internal and external mechanisms of a corporate governance system.

Figure 2: Internal and external aspects of a corporate governance system



Source: adapted from CIPE (2009, p. 17)

In Figure 2 above, the structure captured under the 'internal' aspect of corporate governance addresses the conventional issues. These conventional issues include 'the relationship among shareholders, and between shareholders and the board of directors, the relationship between the board and managers, board composition procedures, management operation' (CIPE 2009, p. 20). Therefore, all the components from the board of directors to the management structure make up the internal aspect of corporate governance and the function of a company (CIPE 2009).

Under the corporate governance system, directors are provided with the tools, for example, policies, regulations, and legislations, that 'they need to ensure efficiency, accountability, and sound decision-making' (CIPE 2009, p. 20). Corporate governance systems aim to strengthen reporting requirements and this requires 'improved accounting procedures and stronger internal control systems, which in turn provide managers and directors the tools they need to control expenditure and gauge revenue' (CIPE 2009, p. 20). Quality reporting and

regular financial reports enable managers to ‘be held accountable for the decisions made and the performance results’ (CIPE 2009, p. 48) increasing transparency. Such reporting helps ensure that ‘poor performance or activities that divert company resources into non-profitable activity can be quickly identified and remedied’(CIPE 2009, p. 20).

The ‘external’ aspect of corporate governance is the institutional framework which consists of the private and regulatory environments in which organisations operate (CIPE 2009, p. 21). The private environment includes the other stakeholders such as the reputational agents. These reputational agents consist of ‘private sector agents, self-regulating bodies, the media, and civic society that reduce information asymmetry, improve the monitoring of firms, and shed light on opportunistic behaviour’ (CIPE 2009, p. 17 note footnote 1). For example, accountants, lawyers, credit rating, investment bankers, financial media, investment advisors, research, and corporate governance analysts are regarded as reputational agents (CIPE 2009, p. 17 note lists of reputational agents listed under private/stakeholders in Figure 1).

Under the regulatory environment, the purpose of corporate governance systems is to ensure ‘the rule of law is applied to all companies and that the property rights of shareholders, and the broader rights of other stakeholders (lenders, suppliers, and employees, etc.) are defined and protected’ (CIPE 2009, p. 22). The guidelines for good corporate governance practices are either prescribed under relevant laws or principles for good corporate governance practices (CIPE 2009). Overall, the internal and external aspects of a corporate governance system are important to understanding the mechanisms that help to achieve good corporate governance practices.

One might think that an ideal corporate governance system, with corporate governance mechanisms in place, would result in corporations that flourish and operate without challenges. However, in reality, there will always be challenges. The next section briefly highlights some of the challenges in corporate governance from the perspective of the corporate scandals in the early 2000s.

2.5 Corporate governance challenges – the early 2000 corporate scandals

The corporate scandals that occurred in the early 2000s demonstrated that challenges will always need to be faced by the corporate governance systems regardless of whether they are a market-based system or a group-based governance system. When people are involved in a system, there is always the potential for corporate scandals or fraudulent activities. Table 1

below provides a few examples of the corporate scandals that impacted the global scene in the early 2000s.

Table 1: Summary of the major corporate scandals in the early 2000s

Company	Cause of collapse	CG mechanism	Practices	Measures taken
Enron 2001 - US	<ul style="list-style-type: none"> Enron used shady accounting techniques and fabricated holdings to deceive regulators. For the purposes of concealing its toxic assets and significant debts from creditors and investors, Enron used special purpose entities. 	<ul style="list-style-type: none"> Reporting & Transparency. 	<ul style="list-style-type: none"> CFC & Auditors colluded & collaborated – utilised a special entity to conceal toxic assets and substantial debts from creditors and investors. 	<ul style="list-style-type: none"> Sarbanes-Oxley Act 2002
WorldCom 2002- US	<ul style="list-style-type: none"> Due to WorldCom's incorrect accounting of their costs as investments, thousands of jobs were ultimately lost along with around \$180 billion in investor losses. The controversy raises awareness of accounting fraud and serves as a reminder of how crucial accounting ethics are. 	<ul style="list-style-type: none"> Reporting & Transparency. Accountability - wrongly recorded their expenses as investments. 	<ul style="list-style-type: none"> Accounting fraud - wrongly recording expenses as investments. 	<ul style="list-style-type: none"> Sarbanes-Oxley Act 2002
Parmalat 2003 - Italy	<ul style="list-style-type: none"> Falsifying Credibility and Obtaining Loans and Investments: Obtained money from banks, even justifying those Parmalat loans by fabricating sales and inflated revenues. 	<ul style="list-style-type: none"> Reporting & Transparency. Weak and ineffective corporate governance structure and process 	<ul style="list-style-type: none"> Accounting fraud – Fictitious sales and inflated income in order to obtain loans from the banks. 	<ul style="list-style-type: none"> OECD principles of corporate governance 2005
HIH 2001 - Australia	<ul style="list-style-type: none"> Corporate governance culture was poor, and management of risk was flawed. Real issue was poor management and monitoring. 	<ul style="list-style-type: none"> Poor corporate governance culture. Weak board responsibilities, disclosure and transparency, weak role of stakeholders. 	<ul style="list-style-type: none"> A misconception that 'money' was in the business and therefore excessive company spending and over-priced acquisitions. 	<ul style="list-style-type: none"> ASX corporate governance principles 2003

Source: Table prepared by the author, Iyabora from the sources mentioned below (2023)

The Enron scandal was an accounting scandal involving Enron Corporation which was based in Houston, Texas in 2001. Enron used special purpose entities to conceal huge debts by moving the debts from the corporation to the special purpose entities (Clarke 2005, p. 601). This practice is indicative of avoiding the true reporting and transparency mechanisms of corporate governance. Similarly, WorldCom, the United States' second-largest long-distance telephone operator in the early 2000s, was subject to accounting fraud in the summer of 2002 (Clarke 2005, p. 598). The company was incorrectly recording expenses as investments. This practice also indicated incorrect reporting and, therefore, defied authentic reporting and transparency mechanisms of corporate governance.

Across the globe, in Italy the case of Parmalat, a company founded in 1961 as a family-run farm in Italy, where their fraud began as an attempt to cover up losses (Soltani 2014, p. 263). Revenues were inflated by creating fake transactions through a double-billing scheme. Receivables from these fake sales were used as collateral to borrow money from the banks. Fictitious assets were created which inflated reported assets (Ferrarini & Giudici 2006, p. 13). They also worked with the investment bankers to engage in financial engineering which moved debt off the balance sheet or disguised it as equity on the balance sheet. They even colluded with third-party auditors and bankers to finance the fraud indefinitely. Parmalat's fraud began in 1990 and lasted until 2003 (Soltani 2014, p. 263). These practices are accounting fraud which defied the true reporting and transparency mechanisms of corporate governance.

In Australia, 'HIH is the largest collapse in Australian corporate history' (Hill 2005, p. 4). The HIH Royal Commission which was established by the Federal Government on 29 August 2001 reported that the main reasons for the failure of HIH were poor management and greed characterised by a lack of: (i) attention to detail and skills, (ii) accountability for performance, and (iii) integrity in the company's internal processes and systems (Brendan 2003, p. 1). This case is indicative of poor corporate governance and risk management gone wrong – the real problem was mismanagement and lack of oversight.

In the above four corporate scandal cases, it is obvious that the boards were not using sound corporate governance strategies. For example, in the HIH case, the HIH Royal Commission found that a weak board of directors failed in their responsibilities through mismanagement and lack of oversight.

In response to the corporate failure scandals of early 2000, various measures were taken by governments and other public and private institutions that define corporate governance principles for practices and enforcements to strengthen the corporate governance mechanisms to control or avoid scandals from happening in the future. The next section discusses the measures taken after the early 2000 corporate scandals.

2.6 Measures taken after the early 2000 corporate scandals

In response to the Enron scandals, the US Sarbanes-Oxley Act 2002, a law-based legislation, was enacted to protect shareholders and the general public from fraudulent practices in companies through the corporate governance and accountability mandatory mechanisms, such as relevant governance regulations, board structure, audits, and disclosure requirements (Laksmana 2008). The Sarbanes-Oxley Act 2002, or SOX, includes the following major

elements: (i) Public Company Accounting Oversight Board, (ii) Auditor Independence, (iii) Corporate Responsibility, (iv) Enhanced Financial Disclosures, (v) Analyst Conflicts of Interest, (vi) Commission Resources and Authority, (vii) Studies and Reports, (viii) Corporate and Criminal Fraud Accountability, (ix) White Collar Crime Penalty Enhancement, (x) Corporate Tax Returns, (xi) Corporate Fraud Accountability, and (xii) Obstructing an official proceeding (*Sarbanes–Oxley Act* 2002, pp. 750 - 810). Further details on these major elements in the Sarbanes-Oxley Act 2002 are provided in Appendix A (A1 – A2).

An alternative to a law-based approach is the principles-based corporate governance approach which provides guidelines, but the adoption of these policies is not mandatory. For example, following the corporate scandals in the early 2000s, the OECD released a set of corporate governance principles in response to the requirements of its member countries (OECD 2004). The OECD principles are organised into five sections: (1) The rights of shareholders, (2) The equitable treatment of shareholders, (3) The role of stakeholders in corporate governance, (4) Disclosure and transparency, and (5) The responsibilities of the board (OECD 2004). These principles are primarily concerned with listed companies and private sector companies.

As mentioned earlier, the OECD further released Guidelines on Corporate Governance of the State-owned Enterprises in 2005 (OECD 2005). The OECD released guidelines on the corporate governance of SOEs after calls by OECD member countries for a readjustment and restructuring of the SOE sector (OECD 2005). The OECD guidelines on corporate governance of SOEs contained six principles: (i) Ensuring an Effective Legal and Regulatory Framework for State-Owned Enterprises, (ii) The State Acting as an Owner, (iii) Equitable Treatment of Shareholders, (iv) Relations with Stakeholders, (v) Transparency and Disclosure, and (vi) The Responsibilities of the Boards of State-Owned Enterprises (OECD 2005).

The OECD (2005) guidelines identify that the State should exercise its ownership functions through a centralised ownership entity, or effectively coordinated entities, which should act independently and in accordance with a publicly disclosed ownership policy. The guidelines also suggest the strict separation of the state's ownership and regulatory functions (OECD 2005, p. 13).

The most recent version of the corporate governance guidelines for state-owned enterprises was released in 2015 and contains seven principles: (i) Rationales for state ownership, (ii) The state's role as an owner, (iii) State-owned enterprises in the marketplace,

(iv) Equitable treatment of shareholders and other investors, (v) Stakeholder relations and responsible business, (vi) Disclosure and transparency, and (vii) The responsibilities of the boards of state-owned enterprises (OECD 2015, pp. 19 - 28). The guidelines are further elaborated in the following seven points:

- (1) Rationales for state ownership. The state exercises the ownership of SOEs in the interest of the general public. It should carefully evaluate and disclose the objectives that justify state ownership and subject these to a recurrent review.
- (2) The state's role as an owner. The state should act as an informed and active owner, ensuring that the governance of SOEs is carried out in a transparent and accountable manner, with a high degree of professionalism and effectiveness.
- (3) State-owned enterprises in the marketplace. Consistent with the rationale for state ownership, the legal and regulatory framework for SOEs should ensure a level playing field and fair competition in the marketplace when SOEs undertake economic activities.
- (4) Equitable treatment of shareholders and other investors. Where SOEs are listed or otherwise include non-state investors among their owners, the state and the enterprises should recognise the rights of all shareholders and ensure shareholders' equitable treatment and equal access to corporate information.
- (5) Stakeholder relations and responsible business. The state ownership policy should fully recognise SOEs' responsibilities towards stakeholders and request that SOEs report on their relations with stakeholders. It should make clear any expectations the state has concerning responsible business conduct by SOEs.
- (6) Disclosure and transparency. State-owned enterprises should observe high standards of transparency and be subject to the same high-quality accounting, disclosure, compliance and auditing standards as listed companies.
- (7) The responsibilities of the boards of state-owned enterprises. The boards of SOEs should have the necessary authority, competencies and objectivity to carry out their functions of strategic guidance and monitoring of management. They should act with integrity and be held accountable for their actions (OECD 2015, pp. 19 - 28).

For example, under the responsibilities of the boards of state-owned enterprises (Guideline vii), the boards of SOEs should have the necessary authority, competencies and objectivity to carry out their functions of strategic guidance and monitoring of management. The boards of SOEs should act with integrity and be held accountable for their actions. Based on the responsibilities of the boards of the state-owned enterprises, the guidelines (OECD 2015, pp. 28 - 9) are further elaborated on under the following ten points:

- A. The boards of SOEs should be assigned a clear mandate and ultimate responsibility for the enterprise's performance. The role of SOE boards should be clearly defined in legislation, preferably according to company law. The board should be fully accountable to the owners, act in the best interest of the enterprise and treat all shareholders equitably.

- B. SOE boards should effectively carry out their functions of setting strategy and supervising management, based on broad mandates and objectives set by the government. They should have the power to appoint and remove the CEO. They should set executive remuneration levels that are in the long-term interest of the enterprise.
- C. SOE board composition should allow the exercise of objective and independent judgement. All board members, including any public officials, should be nominated based on qualifications and have equivalent legal responsibilities.
- D. Independent board members, where applicable, should be free of any material interests or relationships with the enterprise, its management, other major shareholders and the ownership entity that could jeopardise their exercise of objective judgement.
- E. Mechanisms should be implemented to avoid conflicts of interest preventing board members from objectively carrying out their board duties and to limit political interference in board processes.
- F. The Chair should assume responsibility for boardroom efficiency and, when necessary, in coordination with other board members, act as the liaison for communications with the state ownership entity. Good practice calls for the Chair to be separate from the CEO.
- G. If employee representation on the board is mandated, mechanisms should be developed to guarantee that this representation is exercised effectively and contributes to the enhancement of the board's skills, information and independence.
- H. SOE boards should consider setting up specialised committees, composed of independent and qualified members, to support the full board in performing its functions, particularly in respect to audit, risk management and remuneration. The establishment of specialised committees should improve boardroom efficiency and should not detract from the responsibility of the full board.
- I. SOE boards should, under the Chair's oversight, carry out an annual, well-structured evaluation to appraise their performance and efficiency.
- J. SOEs should develop efficient internal audit procedures and establish an internal audit function that is monitored by and reports directly to the board and to the audit committee or the equivalent corporate organ (OECD 2015, pp. 28 - 9).

A summary explanation of the guidelines on corporate governance of SOEs is provided in Appendix B (B1 – B5). In addition, standards are defined to ensure that SOEs adhere to the

accounting and auditing requirements such as the international accounting standards (IFRS⁷) and the auditing standards (ISA⁸). This obligation is to fulfil the transparency and disclosure requirements under the corporate governance principle number six (6) as discussed earlier.

While measures were taken by governments and other public and private institutions to improve corporate governance through strengthening the corporate governance mechanisms, developing countries are still struggling to deal with their corporate governance challenge, due to the influence of culture on corporate governance (Turnbull 1997; Rafiee & Sarabdeen 2012). The next section discusses a call for newer approaches to the frontiers of corporate governance research as part of the measures to deal with corporate governance challenges.

2.7 Newer approaches to frontiers of corporate governance research

Some of the measures to address corporate governance issues, Brennan and Solomon (2008) called for research to shift from the conventional approach and open up new research agenda in corporate governance. The authors identified a framework to help researchers (Brennan & Solomon 2008, p. 891). See Appendix C1 for the framework - frontiers of corporate governance research in accounting and finance. The framework provides six 'dimensions' of corporate governance research: (i) consider broader perspectives on theory, (ii) study a wider range of mechanisms, (iii) use different methodological approaches and adopt a broader set of techniques, (iv) look at governance and accountability in different sectors/contexts, (v) seek to study models in previous un-researched markets and (vi) extend the time horizon studied (Brennan & Solomon 2008).

The current study is posited as a response to Brennan and Solomon's (2008) call to delve into a newer approach into the frontiers of corporate governance research through a cross-sectional study using the multilevel theoretical framework of collectivism and tightness, gaining a deeper understanding through qualitative research, focusing on the state-owned enterprises sector, and examining the influence of culture in developing countries. The next section discusses the influence of culture on corporate governance.

⁷ IFRS is the acronym for the International Financial Reporting Standards.

⁸ ISA is the acronym for International Standards for Auditing, or International Auditing Standards.

2.8 The influence of culture on corporate governance

Culture has been defined ‘as the socially transmitted behaviour patterns, norms, beliefs and values of a given community’ (Salacuse 1999, p. 218). Salacuse (1999, p. 218) further explains ‘that people from a community use the elements of their culture to interpret their surroundings and guide their interactions with other persons.’

Ntongho (2016, p. 525) in combining definitions by Salacuse (1999) and Frederick (1995), summed up culture as ‘values, attitudes and norms that set the stage for action, belief and policy’. The author further explained culture as ‘attitudes and practices shared by members of a collective, such as a community or a firm’ (Ntongho 2016, pp. 524 - 5). An example is when ‘two negotiators rely on their common culture to interpret each other’s statements and actions’ (Salacuse 1999, p. 218). However, when people from different cultures ‘meet for the first time, they do not share a common pool of information and assumptions to interpret each other’s statements, actions, and intentions’ (Salacuse 1999, p. 218). The following is a brief discussion about the influence of culture but the full discussion of the influence of culture is provided in Chapter 3 Sections 3.2 – 3.4.

According to Turnbull (1997) and Rafiee and Sarabdeen (2012), the influence of culture is the challenge that developing countries are facing with corporate governance. Chan and Cheung (2008) explained that culture plays an important role in establishing a productive negotiation among people. For example, Licht (2001) explains that culture influences organisational policies through the values held by the decision-makers.

To understand the influence of culture on corporate governance, it is important to identify the cultural features of the corporate governance models applied and practised. An example is provided by Ntongho (2016), where the author provided the cultural features of the two dominant corporate governance models, the Shareholder-oriented model and the Stakeholder-oriented model as shown in Table 2 on the next page.

Table 2: Cultural features of the two dominant corporate governance models

Shareholder-oriented model	Cultural features	Stakeholder-oriented model
Individualism	Core values	Communitarianism/collectivism
Short-term profit maximization	Attitude	Long-term value maximization
No labour representation in decision-making	Norm	Involvement of labour in decision-making
No employees on boards	Action	Employee representatives on boards
Liberalism	Belief	Welfare
Private cupidity	Policy	Social responsibility

Source: Ntongho (2016, p. 526)

The core value of the Shareholder-oriented model is individualism as compared to the communitarianism/collectivism of the Stakeholder-oriented model (Ntongho 2016, p. 526). The attitude of the short-term profit maximisation under the Shareholder-oriented model is the opposite of the long-term value maximisation of the Stakeholder-oriented model (Ntongho 2016, p. 526). The norm of no labour representation in the decision-making process under the Shareholder-oriented model is encouraged under the Stakeholder-oriented model (Ntongho 2016, p. 526). This can be seen when putting the norms into action, boards in the Shareholder-oriented models do not allow employees to sit on boards while the opposite is true for the boards of the Stakeholder-oriented models. The belief under the Shareholder-oriented model is liberalism – based on individual rights, and therefore, companies exist to meet the interests of the shareholders or the owners of the company (Ntongho 2016, p. 526). Therefore, the involvement of employees and other stakeholders is on a contractual basis. On the other hand, the belief under the Stakeholder-oriented model is the opposite where the welfare of the staff and the stakeholders is important because, without their support, the company would cease to operate or exist. The operationalisation of these beliefs can be seen in the policies of each model. Under the Shareholder-oriented model, the policies focus on wealth creation to meet the expectations of the shareholders – the very reason why shareholders invest in profitable companies. In the Stakeholder-oriented model, policies focus on social responsibility to fulfil the welfare needs of the stakeholders⁹.

⁹ The stakeholder model was deemed more appropriate for the current research and the rationale for this decision is discussed further in Chapter 3.

Culture contributes to the interpersonal relationship between individuals and institutions and consequently influences the choice of a corporate governance structure (Licht 2001, p. 155). Cheung and Chan (2007, p. 159) pointed out that understanding the cultures between countries is important as different nationalities solve their problems, interact with each other and run their businesses in distinct ways. The authors further explained that the quality of corporate governance depends on the effective interaction and negotiation between the concerned parties. A more detailed discussion on the types of cultures and theories are discussed in the next chapter which is dedicated to the theoretical framework of the study. In furthering an understanding of corporate governance in the context of the SOEs, the next section discusses the SOEs, Solomon Islands SOEs and corporate governance in the Solomon Islands SOEs.

2.9 SOEs, Solomon Islands SOEs and corporate governance in the Solomon Islands SOEs

SOEs are established for various reasons. According to Haririan (1989), SOEs were established for three reasons: political, ideological, and economic (Haririan 1989). Smith and Trebilcock (2001) argue that while SOE may seek profitability, it is not the major motivation for their creation. Usually, SOEs are created to provide support for governments. Smith and Trebilcock (2001) further state the larger an SOE sector, the larger a government's direct influence over the public.

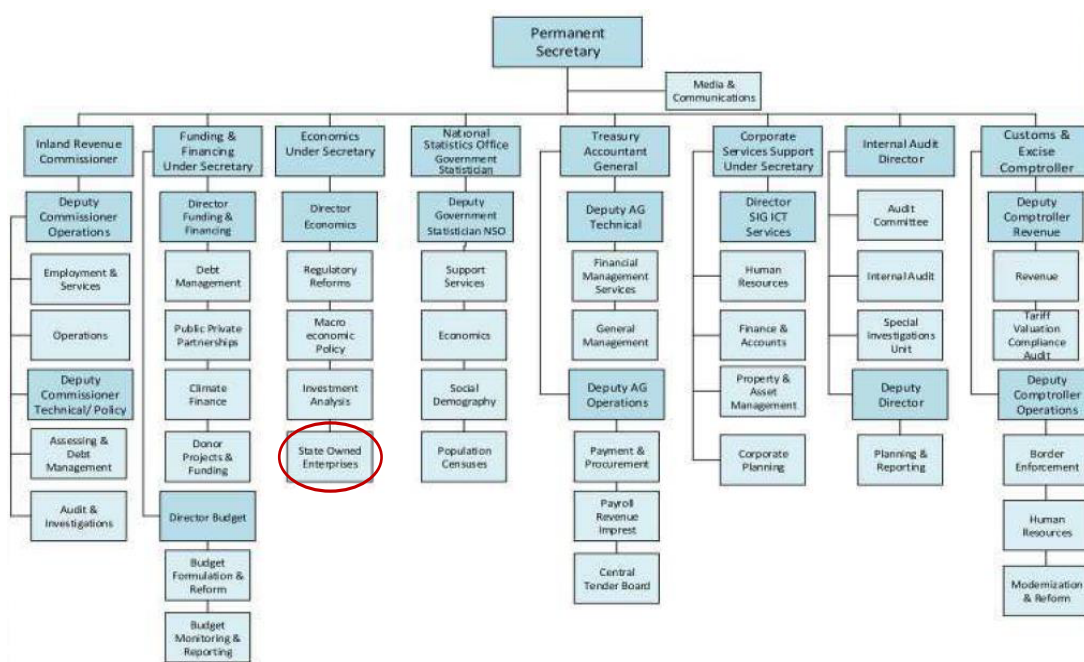
The rise of socialist ideologies after World War II influenced many governments to establish SOEs so that the State could control its economy (Haririan 1989). This ideology is based on the notion that the government should provide and maintain social justice within the nation (Aharoni 1988). In terms of economic reasons, Lawson (1994, p. 284) explains state ownership noting that it revolves 'around the issues of natural monopoly, the need for economic planning, the advantages for stabilisation policy of direct industrial intervention, and redistribution of power, income or wealth'.

Historically, in the Solomon Islands, each SOE was established under an Act of Parliament as a statutory authority. The statutory authorities were established both prior to and after the country gained independence from Great Britain on 7 July 1978. For example, Solomon Power was established under the Electricity Act 1969 and was referred to as the Solomon Islands Electricity Authority. The change of trading name from the Solomon Islands Electricity Authority to Solomon Power in December 2015 was an example of re-branding the

organisation to the SOE. Likewise, Solomon Water was established under the Water Authority Act 1992. The re-branding of the Solomon Islands Water Authority to Solomon Water was done after the enactment of the SOE Act 2007. The term SOE emerged into common usage after the reforms in the sector and the passing of the SOE Act 2007 (S.I. Government 2007) in the National Parliament of Solomon Islands.

The government’s oversight role as the owner of the SOEs is important as it must ensure that the governance of the SOEs is carried out in a transparent and accountable manner, with the necessary degree of professionalism and effectiveness (OECD 2015). Currently, the government’s oversight role is coordinated by the SOE Unit under the Economics Division of the Ministry of Finance and Treasury of the Solomon Islands Government with two staff overseeing the eleven SOEs. See the Unit with a red oval circle in Figure 3 below.

Figure 3: Ministry of Finance and Treasury Organisation Structure



Source: Ministry of Finance and Treasury (2020, p. 8)

The Corporate Plan 2020 – 2022 showed that there are two employees employed under the SOE Unit and they have several roles. Their first role is to monitor and understand financial performance, investment strategies, business plans and delivery of services (including community service obligations). The second role is to ensure SOEs are complying with the

SOE Act 2007 and the SOE Regulations 2010, and providing timely reports on their planning, budgeting and governance. Finally, their third role is to develop a capital structure policy for SOEs (Ministry of Finance and Treasury 2020, p. 27).

The SOE Act 2007 provides the legal framework for the SOEs to operate not only as service providers but also to be profitable and efficient in a comparable manner to businesses that are not owned by the State or established by an Act of Parliament. In other words, while providing services for the people of the Solomon Islands, the SOEs must also pursue profitability objectives similar to businesses or firms in the private sector (S.I. Government 2007). This profitability objective, Section 5 (2) (a) to (d) of the SOE Act 2007, also states that the SOEs must be good employers, providing a personnel policy containing: (i) recruitment practices, (ii) qualified persons, and (iii) fair treatment for employees/customers (S.I. Government 2007, pp. 7 - 8). Section 6 provides the guidelines for the appointment of the board of directors. Three years after the SOE Act 2007 was enacted, the SOE Regulation was promulgated in 2010 to cater for the selection, appointment, reappointment, removal, and disqualification of directors of the SOEs, capacity and accountability, and community service obligations.

The Solomon Islands government previously owned twelve SOEs, however, the removal of the one SOE from the SOE classification means that the National Government of Solomon Islands owns eleven SOEs (Darcy et al. 2023, p. 56), and employees from seven of these SOEs participated in this study. Due to confidentiality reasons, the names of the seven SOEs cannot be revealed. Darcy *et al.* (2023) proclaim that all SOEs hold dominant market positions or monopolies in their respective sectors.

All the SOEs represented 16 – 28% of the total fixed assets in the economy in 2020, and the book value of assets stood at SBD\$3.1 billion (ADB 2023). Despite the large investment (SBD1.8bn in 2015), the SOEs collectively contributed only 3% to GDP (2010 – 2020). The Solomon Islands government spent SBD\$69 million (US\$8.2 million) from 2011 to 2020 on the SOEs under the CSO¹⁰ regulations (Darcy *et al.* 2023), as stipulated under the SOE Act 2007 and SOE Regulations 2010. The CSO as defined under the SOE Act 2007 is the provision of goods and services by SOEs to consumers or users on terms that are not expected to generate a normal return to the SOEs (S.I. Government 2007, p. 5). In other words, the national

¹⁰ CSO is the acronym for community service obligations.

government will support the SOEs financially with the services of the sectors where SOEs incurred losses, but the delivery of service is crucial for the people and the country at large.

Since the Solomon Islands government undertook a reform program for its SOEs in 2005 (ADB 2005), the governance of the SOEs was guided by the SOE Act 2007 and the SOE Regulations 2010. Usage of the term ‘corporate governance’ emerged after the SOE reform program of the Solomon Islands SOEs. Prior to that, the term ‘corporate governance’ was virtually unknown in the Solomon Islands.

Corporate governance is a new phenomenon in the Solomon Islands. At the time of the study, there was still no document on the corporate governance guidelines for the Solomon Islands SOEs. The national government has yet to produce a set of corporate governance guidelines (policies) for its SOEs. It is recommended that such a document should adopt the OECD corporate governance guidelines for the SOEs (OECD 2005, 2015). The advantage of adopting the OECD corporate governance guidelines (policies) is that these policy guidelines are oriented towards the SOEs. Having a set of corporate governance guidelines for the SOEs may help to mitigate the *wantok* system practices in the Solomon Islands SOEs. To understand the *wantok* system culture in the Solomon Islands, the next section focuses on explaining the *wantok* system and how it has evolved over the years and the *wantok* system obligations that will be used in the study.

2.10 *Wantok* system

Wantok is a Pidgin English word derived from the English words ‘one talk’, and it has been used to refer to the people who speak the same language, originating from the same geographical background or similar ethnic identity (McLeod 2008, p. 8), and implies giving preference to kin in the expectation of a series of reciprocal obligations being fulfilled (Solomon Islands Historical Encyclopaedia 1893-1978 2013).

Tanda (2011) noted there were several aspects of the *wantok* system. *Wantoks* are fellow villagers, clan members or people from the same language group who are part of an individual’s social support system. The *wantok* system is a traditional social support system in Melanesia, particularly in Papua New Guinea and Solomon Islands where individuals are expected to provide assistance to their *wantoks* or fellow villagers, clan members or people from the same language group. Tanda (2011) also emphasised that the *wantok* system is a lifestyle and not a system of socio-economic manipulation.

Schram (2015) adds to definitions of the *wantok* system. *Wantoks* are someone of a similar origin as oneself, with connotations of familiarity and mutual solidarity. It is a system of mutual support and solidarity among people who share a similar origin, language and culture as seen in Papua New Guinea. The *wantok* system is social safety net and a form of social equity for those outside of the formal cash economy.

The *wantok* system has come to be defined beyond common language to also incorporate a system practised by the people who belong to kinship groups, originate from the same geographical background or have similar ethnic identity, in expectation of reciprocal obligations to be fulfilled.

Ha'apio (2019, p. 101) quoted Bakker (2008) stating that 'The term *wantok* has ultimately become an easy way to label and identify people of the same kinship group, tribe and community.' In the case of 'Solomon Islands the communities comprised of kinship groups that share the same values, norms and traditions' which include 'respect to one another, caring for the vulnerable like the elderly, women and children, giving and sharing of resources when needed among members' (Ha'apio 2019, p. 101). The '*wantok* system could be seen as an unwritten social contract between those that speak the same language, and to assist each other in times of need' (Mohanty 2011, p. 38). Ha'apio (2019, p. 102) notes that 'the assistance ranges from traditional obligations such as contributing food during feasts, contributing shell money and food towards marriage bride price' and so on. It is concluded that the '*wantok* system requires a network of cooperation, caring and reciprocal support, and a shared attachment to custom and locality' (Nanau 2011, p. 32). The respect for the traditional structure and tribal leaders is still maintained, and the cultural tightness in matters relating to tribal issues such as reciprocity and goodwill is still seen today in the communities.

A similar kind of system is also practised in other Pacific Island countries. Kabutaulaka (1998, p. 24) states that the *wantok* system is similar to the *kerekere* system in Fiji and the *fa'a samoa* in Samoa where they advocate cooperation among those who speak the same language (Nanau 2011, p. 32). Renzio (2000) provided a more detailed definition of the *wantok* system as the 'system of relationships (or set of obligations) between individuals characterised by some or all of the following: (a) common language (*wantok* = 'one talk'), (b) common kinship group, (c) common geographical area of origin, and (d) common social associations or religious groups' and (e) common belief in the principle of mutual reciprocity (Renzio 2000, p. 23).

Nanau (2011) elaborates on reciprocity, commenting:

Reciprocity plays an important part in maintaining the cordial relationship within wantok groups at the basic level. This could be in the form of food produce, the making of shelters, hunting and fishing catches, bride price payments and land settlements. Giving and receiving are two sides of the reciprocity. Trust and reliance are built on this process of reciprocity and caring. (Nanau 2011, p. 37)

Nanau (2011, p. 32) stated that the *wantok* system in the Melanesian region requires ‘a network of cooperation, caring and reciprocal support, and a shared attachment to kastom¹¹ and locality’. He further stated that the *wantok* system ‘consists of a web of relationships, norms and codes of behaviour which is referred to as kastom’ (Nanau 2011, p. 32) – ‘a set of practices used whenever references are made to the *wantok* system’ (Nanau 2011, p. 33). The set of practices is honoured and adhered to because of the obligations each person has through common language, common kinship group, common geographical area of origin, common social associations or religious groups, and common belief in the principle of mutual reciprocity. Reciprocity, caring, trust, reliance, obligation, responsibility, and goodwill are important norms of the *wantok* system (Nanau 2011).

According to Falk and Fischbacher (2006, p. 294), ‘Reciprocity is a behavioural response to perceived kindness and unkindness, where kindness comprises both distributional fairness as well as fairness intentions.’ The importance of reciprocity is that it ‘increases trust, and refers to simultaneous exchanges of goods and knowledge of roughly equal value, or continuing relations over time’ (Nowak 2006, p. 1913). Renzio (2000) found that ‘a complex web of reciprocity obligations based mostly on ethnic identity (the *wantok* system) shows how existing social capital based on trust and cooperation within groups can have both positive and negative overall effects on group functioning’ (Renzio 2000, p. 1). Putnam (2000, p. 19) defined ‘social capital as the connections among individuals—social networks and the norms of reciprocity and trustworthiness that arise from them’. Ha'apio (2019, p. 100) referred to the social capital aspect of the *wantok* system as ‘a customary system in which individuals cooperate to assist each other when faced with challenges’. Berg et al. (1995, p. 139) concluded that there are ‘both positive and negative forms of reciprocity that exist and that must be taken into account to explain the development of institutional forms which reinforce the propensity to reciprocate’.

¹¹ Kastom is a set of practices used whenever references are made to the *wantok* system term (Nanau 2011, p. 33)

Wu (2018) explains how reciprocity is treated in the Chinese culture. The give-and-take within the familial relationship groups is not regarded as reciprocity but obligation. This is because ‘relationships within a family are sacred’ and therefore ‘bound by obligation to reciprocate’ (Ambwani 2014, p. 70), and therefore, exchanging resources among family is a moral imperative (Wu 2018). Hwang (1987) states that familial relationships are regarded as ‘expressive ties’. Such ties are ‘recognized as pathways of non-work-related ties, and workers usually exchange feelings, satisfy their need for care and engage in social activities that help develop social support and a sense of belonging’ (Wang et al. 2022, p. 869).

On the other hand, reciprocity in Chinese culture ‘only exists within non-familial relationships, which include friends, acquaintances, sellers, buyers or strangers’ (Wu 2018, p. 2). There are two types of non-familial relationships identified by Hwang (1987): the ‘instrumental ties’ and the ‘mixed ties’. Instrumental ties are described as ‘work-related ties based on formal work relationships’ (Wang et al. 2022, p. 869). Temporary ‘instrumental ties’ are established to attain material goals, and transactional relationships include the relationships between businesses and their customers (Wu 2018). The mixed ties are said to ‘keep a certain expressive component like reciprocity relationships with friendships, neighbours, classmates, colleagues, teachers and students, people sharing a birth place, and so forth’ (Wu 2018, p. 3). Wasti et al. (2011, p. 398) declared that in a collectivist culture or society, ‘The obligations of reciprocity permeate through many facets of life and are difficult to break.’ Wu (2018) explains how, in the context of Chinese culture, reciprocity is classified only under non-familial relationships and not in familial relationships. Studying the Chinese culture, which is a collectivist culture like that of the Solomon Islands, has relevance in understanding reciprocity from various cultural perspectives.

Triandis and Gelfand (2012) explained that language, kinship, geographical area of origin, social associations or religious groups are the unique ways of categorising and therefore, identifying members of the ingroups (p. 11). Triandis & Gelfand (2012) also mentioned that ‘in a collectivist culture, ingroups are defined by similarity to kinship, tribe, religion, race, language, and village’ (Triandis & Gelfand 2012, p. 11). In the Solomon Islands, the *wantok* system practised today is not the same as the traditional authentic *wantok* system practised in the pre-European contact era. Throughout the years, it has lost its authenticity due to influences from other practices brought in by the colonisers and the Christian missionaries. It is, therefore, important to understand the authentic *wantok* system and how it has evolved over the years.

Wantok system is the term used to describe the system of cultural practices of the indigenous Solomon Islands ingroups since time immemorial.

To understand the authentic *wantok* system and how it evolved, it is important to explore briefly the significant periods in the history of the Solomon Islands. Discussing the significant periods of the Solomon Islands helps to identify how the authentic *wantok* system has changed to its current state. There are three significant periods in Solomon Islands history: pre-European contact era, pre-independence, and post-independence periods.

In the pre-European contact era, Solomon Islanders lived and occupied the Islands long before Alvaro de Mendaña de Neira discovered the islands in 1567 (Jack-Hinton 1969). Prior to contact with the Europeans, people lived in tribal groupings as subsistence farmers. People in the ingroups adhered to and lived according to their own cultural practices or codes. Tribal ingroups had their own leaders – no leader from another tribal ingroup would be a leader for the other. People submitted to the authorities in the traditional structures. The cultures were very tight – there were strong social norms with severe sanctions for violating them.

The Solomon Islands was declared a British Protectorate in 1893 until it achieved independence in 1978. Colonisation saw the introduction of a new foreign culture and practices which influenced the *wantok* system. The British colonial influence resulted in a mixture and fusion of cultural ideals (Lamontagne 2019). Among the new and foreign ideologies that the British colonisers introduced were the concepts of the liberal state (liberal) and the capitalist state (economic value – profit) (Lamontagne 2019). Another foreign influence which had a profound effect on the society was the introduction of the Christian religion. Throughout this period, the British maintained minimal administration, and depended on the Christian missionaries to convince people to accept British domination and to provide basic services to the population.

During this period, the two noticeable buildings that one could see in the villages were a traditional custom house built for the elders' meetings regarding tribal matters and resolving cultural issues, and a church building for Christian prayers and services. Because of this, it was apparent that the two governance codes that were visibly present in the villages were the customary (*wantok system*) and the Church – the emblems of state/governance were absent. Consequently, the changes and the introduction of these new ideologies had a definite influence on the *wantok* system in the Solomon Islands (Lamontagne 2019).

The Solomon Islands gained independence in 1978, 85 years after being declared a British Protectorate. During the period, people left their villages to towns and urban centres for education and work, in search of a new and better life. The liberal and capitalist ideologies, including the Christian teachings, were imparted through the education system and have impacted the lives of people as they went through their formal education. For those who went through the formal education system in the Solomon Islands, these teachings created a total change of mindset away from the rural areas or village lifestyle. There was an increase in the working class in this new shift – from the villages or rural areas to the urban centres. Inter-marriages occurred between the people of different tribes, languages, kinships, and localities (Nanau 2011).

In the urban centres, people are no longer living in tribal groupings but in a mix of people from different tribal groupings, working and living in one area in the city or in urban centres. These new ways of life changed the way people lived and perceived things from the perspective of finding a secure future for their lives. Lamontagne (2019) confirmed these changes declaring that ‘with half the population under 25, and the young stuck between the past while also struggling to build a stable future, there is a growing sense that the traditional institutions are inappropriate or obsolete’ (Lamontagne 2019, p. 6) in towns and the city. However, even more so, one of the strongest influences today is the churches. Almost all the villages in the rural areas have a church building, but the traditional custom houses built for the elders’ meetings regarding tribal matters and resolving cultural issues during the pre-independence period are slowly disappearing. The *wantok* system practised today is not the authentic *wantok* system practised in the pre-European contact period, as it is now marred with influences from the three ideologies and concepts – liberal, capitalist and Christian practices. Further discussion on the collectivist culture is provided in Chapter 3 Sections 3.2.2, 3.3 and 3.4 respectively.

This study drew on the work of Renzio (2000) and Nanau (2011) to use the five (5) sets of obligations of the *wantok* system: common language, common kinship group, common geographical area of origin, common social associations or religious groups, and common belief in the principle of mutual reciprocity to identify the influence of the *wantok* system on the corporate governance of the SOEs in the Solomon Islands. The next section discusses some of the studies on the *wantok* system and governance in the Solomon Islands.

2.11 Some studies on the *wantok* system and governance in the Solomon Islands

In the Solomon Islands, the economic reform and machinery of the government pillars of RAMSI¹² were said to have been severely constrained by the belief that ‘culture gets in the way’ (Morgan & McLeod 2006, p. 423). The pervasive nature of the *wantok* system is apparent in various studies of the Solomon Islands. The study of the *wantok* system by Devesi (2018) notes that it is a ‘social security of society and the communities still depend on this system in the linking of people across urban-rural, cash-subsistence, and public-private divides’ (Devesi 2018, p. 235). He also states that ‘favouritism inherent in the *wantok* system is one of the reasons along with the acceptance of bribes or extra payments for services provided’ (Devesi 2018, p. 241). This issue can be referred to under the *wantok* system obligations as the common belief in the principle of mutual reciprocity.

Hauriasi and Davey (2009) further state that ‘although still widely practised, the *wantok* system is becoming a subject of considerable debate with some describing it as a social safety net, while others see it as a ‘drag net’...’ (Hauriasi & Davey 2009, p. 232). From the perspective of a social safety net, the *wantok* system can be referred to as a form of social capital whereby ‘individuals cooperate and assist each other when faced with challenges’ (Ha'apio 2019, p. 100). The *wantok* system provides a safety net for the *wantoks* during natural and man-made disasters (Nanau 2011, p. 42).

On the other hand, Hauriasi and Davey (2009) maintain ‘it is common practice in government offices and indeed many organisations for officers to give preferential treatments to ‘*Wantoks*’ and friends even if it involves ignoring company procedures and rules’. Ha'apio (2019) also found that the awarding of contracts to close friends was practised in the Solomon Islands. In terms of SOEs, Namoga (2016) in his research in Fiji and Solomon Islands found that in most cases, boards of directors are appointed based on *wantok* system affiliation and political patronage¹³. Normally, the recruitment of the board of directors was done through public invitation, seeking individuals with professional qualifications and skills required to serve on SOE boards. However, evidence suggest that many board appointments were not based on the vacancy requirements since the appointment responsibilities are still very much

¹² RAMSI is the acronym for Regional Assistance Mission to Solomon Islands. RAMSI was a partnership between Solomon Islands and 15 Pacific countries to help restore peace, stability and prosperity after a civil conflict in the early 2000s in the Solomon Islands. The Mission is majority-funded and led by Australia. It started in 2003 and ended in 2017. Ref. <https://www.ramsi.org/about>

¹³ Political patronage refers to the government through the minister responsible awarding individuals who were their strong supporters during their election campaigns.

attached to the minister and government. Tuhaika (2007) states that the minister has always appointed a backbench member of parliament to the chair of the SOE board, and usually the members of the board are supporters of the government of the day.

The ADB (2011) report highlights that neither governance nor competition creates pressure upon state-owned enterprises in the Solomon Islands to achieve good developments. Haque (2012) discusses the arguments regarding the importance of the *wantok* system as a cultural constraint to development. Nanau (2011) points out that the *wantok* system will continue to be influential in the Solomon Islands social, economic and political spheres for many more years to come. He further contends that complex relationships spawned by the *wantok* system at local, national and sub-regional levels could influence the understanding of events and developments in the Solomon Islands. Hence, the reason for undertaking the current study. The next section explains why it is important to study the influence of the *wantok* system on corporate governance of the Solomon Islands SOEs.

2.12 Importance of studying the influence of the *wantok* system on corporate governance practices of the Solomon Islands SOEs

The literature reveals that there is limited research and anecdotal evidence on the influence of culture on corporate governance in the Solomon Islands. Furthermore, there is no study as yet on the influence of the *wantok* system on the corporate governance practices of the Solomon Islands SOEs. Therefore, this study is important in three aspects: Firstly, the SOEs in the Solomon Islands play a significant role in the economy of the country and, therefore, studying the corporate governance of the SOEs in the Solomon Islands is very important.

Secondly, the study of the corporate governance of the SOEs in the Solomon Islands is critical as there is currently no set of corporate governance guidelines developed for the SOEs in the Solomon Islands. This lack of corporate governance guidelines may be very challenging in a country where the *wantok* system is commonly practised. Thirdly, the *wantok* system is embedded in Solomon Islands cultures and, therefore, people are obligated to fulfil the values of the *wantok* system expected of them wherever they live and work, throughout the country or abroad. These expectations are expected to influence the behaviours of SOE management and other SOE employees. This study is both timely and useful due to its focus on the influence of the *wantok* system on the corporate governance of the Solomon Islands SOEs.

The study uses the five (5) obligations of the *wantok* system identified in the literature discussed earlier to explore the influence of the *wantok* system on the corporate governance

practices of the Solomon Islands SOEs. This study uses the four (4) corporate governance practices identified from the SOE Act 2007, Section 5 (2) (a) to (d), Section 6 and Section 13 to 21 of the SOE Act 2007 respectively (S.I. Government 2007). The study focuses on how the five (5) *wantok* system obligations influence four (4) corporate governance practices of the Solomon Islands SOEs. This study, therefore, seeks to:

- (i) determine the extent of *wantok* system influence on corporate governance practices of the Solomon Islands SOEs.
- (ii) identify the *wantok* system obligations that have the greatest influence on corporate governance practices of the Solomon Islands SOEs.
- (iii) identify the strategies to strengthen the corporate governance system of the Solomon Islands SOEs.
- (iv) identify the strategies to reorientate the *wantok* system to support the corporate governance practices of the Solomon Islands SOEs.

Determining the extent of the *wantok* system influence on corporate governance practices and identifying the *wantok* system obligations that have the greatest influence on the corporate governance practices of the Solomon Islands SOEs will help to understand how to deal with the *wantok* system influences on the corporate governance practices of the Solomon Islands SOEs. Identifying the strategies to strengthen the corporate governance system and reorientate the *wantok* system to support corporate governance practices of the Solomon Islands SOEs will potentially help to address the *wantok* system influence and achieve good governance of the Solomon Islands SOEs.

2.13 Conclusion

This chapter started with a review of literature on the brief history of corporate governance, followed by a review of corporate governance systems and corporate governance mechanisms including the corporate governance challenges. Next, there was a review of literature on the measures taken after the corporate scandals in the early 2000s and the newer approaches to the frontiers of corporate governance research.

The literature review discussions continued with the influence of culture on corporate governance, followed by a brief review of the SOEs, the Solomon Islands SOEs and corporate governance in the Solomon Islands SOEs. The chapter followed with a review of the *wantok* system, a prevalent culture in the Solomon Islands and some studies on the *wantok* system and

governance in the Solomon Islands. Finally, the importance of studying the influence of the *wantok* system on corporate governance practices of the Solomon Islands SOEs was discussed, and the chapter ended with a conclusion. The theoretical framework for this study is discussed in the next chapter.

CHAPTER 3: THEORETICAL FRAMEWORK

3.1 Introduction

This chapter presents the theories which guide the study. As this research focuses on the *wantok* system and its influences on corporate governance in the Solomon Islands SOEs, theories which address corporate governance and aid in understanding how culture influences thoughts and actions are appropriate for the study. Additionally, this chapter proposes a model which integrates aspects of corporate governance and culture which provides a useful framework for the study.

This chapter is divided into seven sections. Section 3.2 explains the multi-perspective approach used for the study. Section 3.3 presents Hofstede's cultural dimensions, followed by a comparison of four countries' scores and situating the Solomon Islands on Hofstede's cultural dimensions. Sections 3.4 and 3.5 review the horizontal and vertical collectivism and tight-looseness cultures. Section 3.6 provides a brief overview of the Pacific Islands' cultures. Sections 3.7 and 3.8 discuss the multilevel theoretical model and the theoretical perspectives for the study. The chapter ends with a conclusion in Section 3.9. The next section commences with the multi-perspective approach to the study.

3.2 Multi-perspective approach to theory for the study

Willcocks (2002, pp. 263 - 4) suggests that a multi-perspective approach is relevant since using a single theoretical perspective has limitations. With a multi-perspective approach, a combination of theories is required for a complete discussion (Eisenhardt 1989, p. 71). Multiple relevant theories allow for a comprehensive and beneficial understanding of the study.

The current study also recognised the potential limitations of adopting a multi-perspective approach and therefore, provided relevant strategies to address the limitations in the study. With a multi-perspective approach, the first potential limitation is the integration challenge – synthesising the findings from multiple perspectives. Integrating diverse perspectives poses the challenge of creating a cohesive narrative that encompasses the richness of each viewpoint. This difficulty may arise due to the potential for disparate findings and interpretations across different theoretical lenses. To address the integration challenge, the researcher adopted the thematic analysis to identify common themes and patterns across different perspectives, aiding in the synthesis of findings into a unified framework (Miles & Huberman 1994).

The second potential limitation is the divergence in focus – different theories may have divergent focuses which may potentially cause fragmentation, making it challenging to present a unified and comprehensive understanding of the research questions. To address divergent focuses, the researcher identified the connections between different theoretical perspectives highlighting the nature of each perspective and illustrated their contribution to the study's objectives (Creswell & Creswell 2023).

The third potential limitation is the resource intensiveness – collecting data from multiple perspectives can demand substantial resources in terms of time, finances, and personnel, posing a potential limitation. To address resource intensiveness, the researcher meticulously planned resource allocation in the research design. Emphasising the added value of a comprehensive understanding gained through multiple perspectives is crucial for justifying the investment of resources (Morse 2003). After discussing the potential limitations and how they were addressed in the study, the discussions are now focused on the two theoretical perspectives.

The current study used two theoretical perspectives: theories of governance and theories of culture. The discussions on the two sets of theories are provided below.

3.2.1 Theories of corporate governance

There is a body of literature, such as agency and stewardship theories, that explains why financial information is mandatorily reported and independently audited to provide protection to shareholders against managements' self-interest motivations. Stakeholder, legitimacy, and institutional theories describe why organisations are motivated to make disclosures that are not required by legislation or regulations. These voluntary disclosures are viewed alongside broader community practices and the disclosure of such practices. However, while it is important to acknowledge the various influences of these theories on the development or implementation of these mandatory or voluntary behaviours, these influences are outside of the aim and scope of the study. The current study's aims, and scope is to identify how the *wantok* system influences the established corporate governance practices and objectives. Therefore, the following discussion is provided about the theories selected as relevant to the scope of the study.

The two dominant theories of corporate governance are agency theory and stakeholder theory as discussed in the previous chapter. Firstly, the agency theory provides some insights into why corporate governance is an important topic that needs to be studied. Information asymmetry within a principal-agent relationship of government is where the government is the

purported principal, and the executives of the State-Owned Enterprise (SOEs) are the agents. This scenario can cause an imbalance in groups' knowledge of relevant factors and details within the network that may lead to moral hazard. However, within this system, the close-knit relationships and shared values of the *wantok* system serve as monitoring and controlling mechanisms. The relationship within a *wantok* system will be further discussed within this subsection and in the Sub-section 3.2.2 Theories of culture.

While agency theory offers some understanding of the need for corporate governance practices to be implemented, its legislative enactment should be applied cautiously alongside other cultural frameworks to grasp fully the complexities of *wantok* system practices. Consequently, the problem explained by agency theory and the imbalance posted by information asymmetry theory may not be as useful in explaining the impact of the *wantok* system practices.

Secondly, the ethical (moral) or normative branch of stakeholder theory is presented by Deegan who states that this branch of the theory asserts that the power wielded by different stakeholder groups should not impact the obligations owed to each stakeholder group (Deegan, 2014, p. 373). Consequently, this normative branch of stakeholder theory offers valuable insights into the dynamics of *wantok* system practices. *Wantok* system practices involve a broad network of stakeholders, including family members, extended relatives, and close friends, who share a mutual interest in the well-being and success of the group. The theory emphasises the interdependence and reciprocity among stakeholders, highlighting the importance of mutual assistance and collective responsibility within the *wantok* network. Additionally, this normative branch of stakeholder theory recognises the ethical dimensions of relationships and decision-making, aligning with the ethical norms, trust, and sense of duty that guide *wantok* system practices. For these reasons, this thesis will apply the ethical (moral) or normative branch of stakeholder theory so that a deeper understanding can be gained of the interconnectedness, ethical considerations, and long-term orientation that underpin *wantok* system practices.

In summary, after considering what the mentioned theories can offer in terms of the current study, the ethical (moral) or normative branch of stakeholder theory is more relevant and suitable as it involves a broad network, emphasises interdependence and reciprocity, and aligns with the cultural norms of the *wantok* system. This branch of stakeholder theory will help to broaden the understanding of interconnectedness, ethical considerations, and long-term orientation.

3.2.2 *Theories of culture*

Certain dynamics within *wantok* system practices give rise to a principal-agent relationship within the social network. This occurs when individuals act on behalf of others and reciprocal obligations are established. However, while this principal-agent relationship is important in the implementation of corporate governance principles, it is the ethical (moral) or normative branch of stakeholder theory is associated with the following discussion of culture and implementation and acceptance of the practices.

Under the theories of culture, the chapter discusses Hofstede's cultural dimensions, followed by a comparison discussion of the scores for selected countries which is explained under Section 3.3.2 entitled Hofstede's cultural dimension country comparison. The chapter then reviews the horizontal and vertical collectivism and tightness-looseness cultural theories, followed by highlighting a few Pacific Island cultures - Fiji, Samoa and Papua New Guinea. The chapter then proceeds to discuss the multilevel theoretical model and the theoretical perspective for the study, and how these cultural theories bring insights into the *wantok* system practices in the Solomon Islands SOEs. The next section starts the discussion of culture by applying Hofstede's cultural dimensions.

3.3 Hofstede's cultural dimensions

The study used Hofstede's model of cultural dimension to form the basis of discussing the results. Hofstede's framework has been widely accepted and applied (Sent & Kroese 2020). The attention given to Hofstede's work is demonstrated by nearly 250,000 citations in Google Scholar (November 2023). While acknowledging that there are alternative viewpoints to Hofstede¹⁴, a meta-analysis by Taras et al. (2012) yielded an important finding that replications have relatively closely matched the country variation originally observed by Hofstede (1980). While there are other alternative theories, Hofstede is still a prominent theory in the literature and is a relevant model for the study. The subsequent paragraphs focus on discussing Hofstede's six (6) cultural dimensions.

Hofstede (1984, p. 83) classified cultures firstly under four dimensions: (1) Power Distance, (ii) Individualism versus Collectivism, (iii) Masculinity versus Femininity, and (iv) Uncertainty Avoidance. Two dimensions were added later by Hofstede (2011, pp. 13 - 6). The

¹⁴ A major critic is McSweeney (2002). Gerlach and Eriksson (2021) also note the limitations of Hofstede while at the same time recognising the attention given to his work by scholars.

fifth dimension: long-term orientation (LTO) was added in 1991 (Hofstede et al. 2010, p. 14), and the sixth dimension: indulgence versus restraint was added in 2010 (Hofstede *et al.* 2010, p. 14). The dimensions of culture are well discussed by Hofstede as described below.

1. *Power Distance dimension*

The degree to which less powerful members of organisations and institutions (such as family) accept and expect that power is allocated unequally is known as the ‘power distance’ (Hofstede 2011, p. 9). Hofstede (1984, p. 83) stated that:

People in societies with a high degree of power distance are willing to accept hierarchies in which everyone is ranked without having to provide any explanation. For example, in the workplace, superiors and subordinates are unlikely to view one another as equals, and workers believe that management will make choices without consulting them.

Hofstede (1984) further stated that Low Power Distance cultures strive for fair distribution of power. For instance, employees at lower levels of the hierarchy anticipate being asked for their advice, thus employers and supervisors are more inclined to do so in a workplace. Power and inequality are important aspects of any society. In all societies, people are not treated as equals, although in some societies the inequalities are more pronounced. Table 3 lists a selection of differences between cultures that are associated with the Power Distance dimension (Hofstede 2011, p. 9).

Table 3: Ten differences between small and large power distance societies

Small Power Distance	Large Power Distance
Use of power should be legitimate and is subject to criteria of good and evil	Power is a basic fact of society antedating good or evil: its legitimacy is irrelevant
Parents treat children as equals	Parents teach children obedience
Older people are neither respected nor feared	Older people are both respected and feared
Student-centered education	Teacher-centered education
Hierarchy means inequality of roles, established for convenience	Hierarchy means existential inequality
Subordinates expect to be consulted	Subordinates expect to be told what to do
Pluralist governments based on majority vote and changed peacefully	Autocratic governments based on co-optation and changed by revolution
Corruption rare; scandals end political careers	Corruption frequent; scandals are covered up
Income distribution in society rather even	Income distribution in society very uneven
Religions stressing equality of believers	Religions with a hierarchy of priests

Source: Hofstede (2011, p. 9)

High Power Distance societies accept a skewed, hierarchical allocation of power and the idea that everyone knows their place within the framework. People in low power distance cultures believe that power is shared and broadly disseminated and they do not tolerate situations in which it is not distributed fairly. Hofstede (1984) elucidated that ‘the fundamental issue addressed by this dimension is how a society handles inequalities among people when they occur’ (Hofstede 1984, p. 83)

2. Individualism versus collectivism dimension

Integrating people into either the individualism or collectivism cultures is based on their different foci on the rights and concerns of others traits (Hofstede 2011, p. 11).

The culture of the individualists is one in which there are few social links, and each person is expected to look out for himself or herself and the needs of his or her immediate family. This category refers to a person’s sense of self as “I”. On the other hand, collectivists give the objectives and welfare of the collective more weight. People are assimilated into strong, cohesive ingroups from birth; these ingroups are frequently extended families (including grandparents, uncles, and aunts) who continue to protect them in exchange for unwavering allegiance (Hofstede 2011, p. 11).

Collectivist culture is a cultural context in which individuals prioritise the needs and goals of their ingroup (such as their family or community) over their individual needs and goals (Fan *et al.* 2022, p. S296). In other words, the culture places a high value on the needs and goals of the group or community over the needs and goals of the individual. People tend to have strong social bonds and a sense of obligation to their ingroup, and they may be more likely to cooperate and collaborate with others in their ingroup. Individuals are expected to prioritise the interests of their family, community, or organisation over their personal interests (Hofstede 1984, p. 83). These cultures tend to emphasise social harmony, cooperation, and interdependence and may view individualism and self-promotion as negative or selfish traits. Examples of collectivistic cultures include many Asian, African, and Latin American cultures (Stamkou *et al.* 2019). In these cultures, people may place a strong emphasis on family and community ties and may prioritise the needs and goals of their ingroup over their individual needs and goals (Fan *et al.* 2022).

In this category, an individual’s self-concept is more akin to a ‘We’. Table 4 lists a selection of differences between cultures that are associated with this dimension (Hofstede 2011, p. 11).

Table 4: Ten differences between individualist and collectivist societies

Individualism	Collectivism
Everyone is supposed to take care of him- or herself and his or her immediate family only	People are born into extended families or clans which protect them in exchange for loyalty
"I" – consciousness	"We" –consciousness
Right of privacy	Stress on belonging
Speaking one's mind is healthy	Harmony should always be maintained
Others classified as individuals	Others classified as in-group or out-group
Personal opinion expected: one person one vote	Opinions and votes predetermined by in-group
Transgression of norms leads to guilt feelings	Transgression of norms leads to shame feelings
Languages in which the word "I" is indispensable	Languages in which the word "I" is avoided
Purpose of education is learning how to learn	Purpose of education is learning how to do
Task prevails over relationship	Relationship prevails over task

Source: Hofstede (2011, p. 11)

Individualist cultures tend to have weak interpersonal ties among people who are not a part of a core family. People are less accountable for the deeds and results of others. However, in a collectivist culture, people are expected to be devoted to the group they are a part of for that group to defend its interests. People are accountable to one another for their well-being. ‘The fundamental issue addressed by this dimension is the degree of interdependence a society maintains among individuals’ (Hofstede 1984, p. 83).

3. Masculinity versus femininity dimension

Masculinity versus Femininity relates to the ‘distribution of values between genders which is another fundamental issue for any society, to which a range of solutions can be found’ (Hofstede 2011, p. 12). Men’s value ranges in masculine societies from extremely assertive and competitive as well as a maximum distance from women’s values, to modest and caring and close to women’s values on the other end of the continuum. Hofstede (2011, p. 12) explained that ‘the assertive pole has been called “masculine” while ‘the modest and caring pole’ has been called “feminine”’ (Hofstede 2011, p. 12). Table 5 lists a selection of differences between cultures that are associated with this dimension (Hofstede 2011, p. 12).

Table 5: Ten differences between feminine and masculine societies

Femininity	Masculinity
Minimum emotional and social role differentiation between the genders	Maximum emotional and social role differentiation between the genders
Men and women should be modest and caring	Men should be and women may be assertive and ambitious
Balance between family and work	Work prevails over family
Sympathy for the weak	Admiration for the strong
Both fathers and mothers deal with facts and feelings	Fathers deal with facts, mothers with feelings
Both boys and girls may cry but neither should fight	Girls cry, boys don't; boys should fight back, girls shouldn't fight
Mothers decide on number of children	Fathers decide on family size
Many women in elected political positions	Few women in elected political positions
Religion focuses on fellow human beings	Religion focuses on God or gods
Matter-of-fact attitudes about sexuality; sex is a way of relating	Moralistic attitudes about sexuality; sex is a way of performing

Source: Hofstede (2011, p. 12)

Cultures with high femininity mean that traditionally feminine gender roles are given more weight in that society. A low level of femininity in culture means that those roles are given less weight. For instance, a culture or country with low femininity is likely to have more women in leadership positions and higher rates of female entrepreneurship (Hofstede, 1980). The Hofstede model suggests that masculinity versus femininity is a societal, not an individual characteristic (Hofstede, 1980).

4. *Uncertainty avoidance dimension*

The level of social discomfort that people feel around ambiguity and uncertainty is the desire to avoid a discomfort situation and the action (or inaction) to mitigate such discomfort is known as uncertainty avoidance (Hofstede 2011, p. 10). As a result of this emotion, people adopt ideas that promise certainty and support organisations that uphold social norms. Societies with a high degree of uncertainty avoidance uphold stringent standards of thought and conduct and are intolerant of unconventional people and viewpoints. On the other hand, cultures that accept uncertainty are more accommodating of viewpoints that differ from their own, people strive to have fewer norms; and on a philosophical and religious level, they are empiricist, and relativist and permit opposing currents to coexist (Hofstede 2011, p. 11). Table 6 lists a selection of differences between cultures that are associated with the Uncertainty Avoidance dimension (Hofstede 2011, p. 10).

Table 6: Ten differences between weak and strong uncertainty avoidance societies

Weak Uncertainty Avoidance	Strong Uncertainty Avoidance
The uncertainty inherent in life is accepted and each day is taken as it comes	The uncertainty inherent in life is felt as a continuous threat that must be fought
Ease, lower stress, self-control, low anxiety	Higher stress, emotionality, anxiety, neuroticism
Higher scores on subjective health and well-being	Lower scores on subjective health and well-being
Tolerance of deviant persons and ideas: what is different is curious	Intolerance of deviant persons and ideas: what is different is dangerous
Comfortable with ambiguity and chaos	Need for clarity and structure
Teachers may say 'I don't know'	Teachers supposed to have all the answers
Changing jobs no problem	Staying in jobs even if disliked
Dislike of rules - written or unwritten	Emotional need for rules – even if not obeyed
In politics, citizens feel and are seen as competent towards authorities	In politics, citizens feel and are seen as incompetent towards authorities
In religion, philosophy and science: relativism and empiricism	In religion, philosophy and science: belief in ultimate truths and grand theories

Source: Hofstede (2011, p. 10)

A key issue of the uncertainty dimension is ‘how a society reacts to the fact that time only runs one way and that the future is unknown, whether it tries to control the future or let it happen’ (Hofstede 1984, pp. 83 - 4).

5. Long-term versus short-term orientation dimension

The long-term versus short-term orientation dimension refers to the degree to which cultures encourage delaying gratification or the material, social, and emotional needs of their members (Hofstede, 1980). Cultures with ‘long-term orientations show to focus on the future in a way that delays short-term success in favour of success in the long term’ (Nickerson 2023). The cultures ‘emphasise traits such as persistence, perseverance, thrift, saving, long-term growth, and the capacity for adaptation’ (Nickerson 2023). Table 7 lists a selection of differences between cultures that are associated with this dimension (Hofstede 2011, p. 15).

Table 7: Ten differences between short- and long-term oriented societies

Short-Term Orientation	Long-Term Orientation
Most important events in life occurred in the past or take place now	Most important events in life will occur in the future
Personal steadiness and stability: a good person is always the same	A good person adapts to the circumstances
There are universal guidelines about what is good and evil	What is good and evil depends upon the circumstances
Traditions are sacrosanct	Traditions are adaptable to changed circumstances
Family life guided by imperatives	Family life guided by shared tasks
Supposed to be proud of one's country	Trying to learn from other countries
Service to others is an important goal	Thrift and perseverance are important goals
Social spending and consumption	Large savings quote, funds available for investment
Students attribute success and failure to luck	Students attribute success to effort and failure to lack of effort
Slow or no economic growth of poor countries	Fast economic growth of countries up till a level of prosperity

Source: Hofstede (2011, p. 15)

The opposite is true of short-term orientation cultures, which place a greater emphasis on the present than the future and imply a concentration on the immediate future. This ultimately leads to a focus on expedient outcomes and adherence to tradition. Short-term cultures have values based on the past and present that can lead to reckless spending, frequently in response to social or environmental pressure (Hofstede, 1980). The primary issues of this dimension relate to 'how a society perceived the choice of focus for people's efforts: the future or the present and past' (Minkov & Hofstede 2011, pp. 13 - 5).

6. *Indulgence versus restraint dimension*

The time frames in which a culture satisfies its desires are seen in the indulgence and restraint dimension. Rather than measuring controlled impulse-satisfaction delays, this dimension measures how rapidly impulses are gratified in a culture. Table 8 lists a selection of differences between cultures that are associated with this dimension (Hofstede 2011, p. 16).

Table 8: Ten differences between indulgent and restrained societies

Indulgence	Restrained
Higher percentage of people declaring themselves very happy	Fewer very happy people
A perception of personal life control	A perception of helplessness: what happens to me is not my own doing
Freedom of speech seen as important	Freedom of speech is not a primary concern
Higher importance of leisure	Lower importance of leisure
More likely to remember positive emotions	Less likely to remember positive emotions
In countries with educated populations, higher birthrates	In countries with educated populations, lower birthrates
More people actively involved in sports	Fewer people actively involved in sports
In countries with enough food, higher percentages of obese people	In countries with enough food, fewer obese people
In wealthy countries, lenient sexual norms	In wealthy countries, stricter sexual norms
Maintaining order in the nation is not given a high priority	Higher number of police officers per 100,000 population

Source: Hofstede (2011, p. 16)

High levels of indulgence show that a culture promotes excellent living and enjoyment at a relatively unrestricted level. For instance, in a highly indulgent society, people may tend to spend more money on luxuries and have greater freedom when it comes to leisure activities (Hofstede 2011, pp. 15 - 6). On the other hand, restraint indicates that the culture tends to suppress the gratification of needs and regulate them through social norms. For example, in a restrained society, people are more likely to save money and focus on practical needs. The fundamental issue addressed by this dimension is the extent and tendency of a society to fulfil its desires, either allowing relatively free gratification now or controlling basic human desires related to enjoying life and regulating through social norms (Hofstede 2011, pp. 15 - 6).

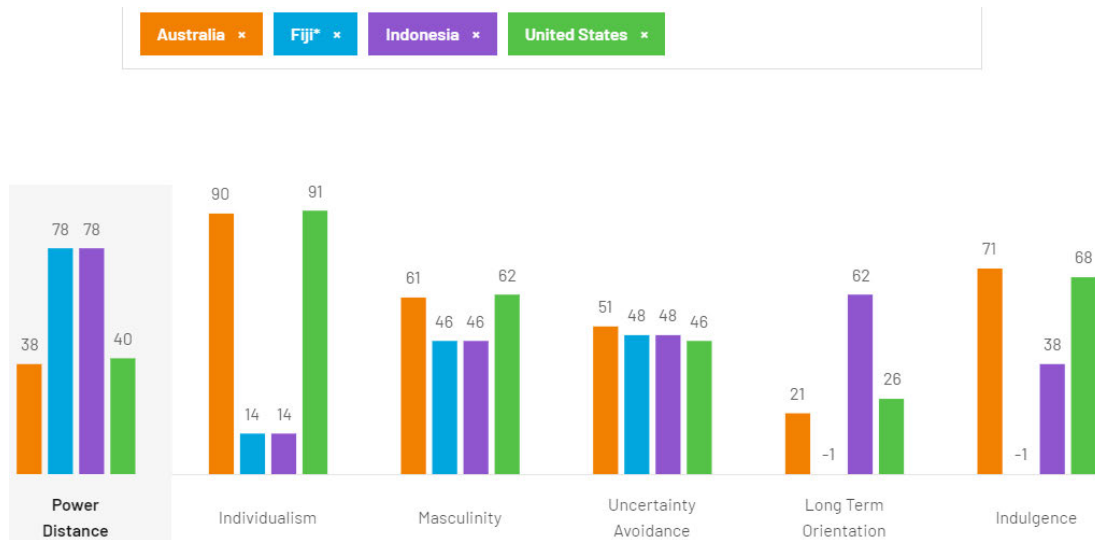
Having described Hofstede's dimensions of culture and understanding the meaning of the six value dimensions, the next section illustrates how the cultures of the different countries can be compared using Hofstede's cultural dimensions framework (Hofstede-Insights 2023).

3.3.1 Hofstede's cultural dimension country comparison

There has not been any data collection to determine Hofstede's cultural dimensions for the Solomon Islands. For comparison purposes, the study used the following four (4) countries: Australia, Fiji, Indonesia and the United States. See Figure 4 below for Hofstede's Cultural Dimension Country Comparison for these four countries. Fiji does not have data for the two

dimensions, long-term orientation and indulgence and therefore, no scores are shown in the chart below.

Figure 4: Hofstede’s Cultural Dimension Country Comparison



Source: Extracted from Hofstede-Insights (2023)

The choice of the four countries: Australia, Fiji, Indonesia and the United States for the Hofstede’s cultural dimension country comparison is based on the following:

- Fiji – is a Melanesian country with a culture similar to that of the Solomon Islands. Fiji represents a developing country.
- Indonesia – is a country close to the Pacific Islands where part of the population are Melanesians – West Papua, border with Papua New Guinea. There are no other Pacific Island countries listed under Hofstede’s list of countries, and therefore, Indonesia is the next best option. Indonesia represents a developing country.
- The United States – Berle & Means (1932) are credited with developing modern corporate governance research. One of the focal areas of the study is corporate governance and therefore, it is appropriate to include the United States, a country where modern corporate governance started for comparison purposes. The United States represents the Western countries.
- Australia – This study is conducted under the oversight of the University of Southern Queensland which is in Australia. Australia represents the Western countries.

In terms of the country representations, Fiji and Indonesia represent the developing countries, and Australia and the United States represent the developed countries, often referred to as the Western countries. From the country comparison in Figure 4, it is obvious that Power Distance is high in Fiji (blue colour bar) and Indonesia (purple colour bar) as compared to a

low Power Distance in Australia (orange colour bar) and the United States (green colour bar).

This means that Australia and the United States perceive that:

hierarchy is established for convenience, superiors are always accessible, and managers rely on individual employees and teams for their expertise. Both managers and employees expect to be consulted and information is shared frequently. At the same time, communication is informal, direct and participative (Hofstede-Insights 2023).

On the other hand, Fiji and Indonesia are hierarchical in culture. Hofstede-Insights (2023) explains as follows:

Being dependent on hierarchy, unequal rights between power holders and non-power holders, superiors in-accessible, leaders are directive, management controls and delegates. Power is centralised and managers count on the obedience of their team members. Employees expect to be told what to do and when. Control is expected and managers are respected for their position. Communication is indirect and negative feedback hidden. High Power Distance also means that co-workers would expect to be clearly directed by the boss or manager.

Secondly, Australia and the United States are very high in individualism while Fiji and Indonesia are very low. A low score in individualism means that Fiji and Indonesia are considered to have a collectivist culture. This low score indicates a 'high preference for a strongly defined social framework in which individuals are expected to conform to the ideals of the society and the ingroups to which they belong' (Hofstede-Insights 2023). Collectivism is visibly clear in 'the aspect of the family in the role of relationships' where there are 'close, long-term commitments to the member "group", be that a family, extended family, or extended relationships' (Hofstede-Insights 2023). The scores for Fiji revealed:

Loyalty in a collectivist culture is paramount and overrides most other societal rules and regulations. Society fosters strong relationships where everyone takes responsibility for fellow members of their group. In collectivist societies: offence leads to shame and the loss of face, employer/employee relationships are perceived in moral terms (like a family link), hiring and promotion decisions take account of the employee's ingroup and management is the management of groups (Hofstede-Insights 2023).

On the other hand, Australia and the United States are individualist cultures which can be described as:

loosely knit societies in which the expectation is that people look after themselves and their immediate families. In the business world, employees are expected to be self-reliant and display initiative. Also, within the exchange-based world of work, hiring and promotion decisions are based on merit or evidence of what one has done or can do (Hofstede-Insights 2023).

Thirdly, Australia and the United States are a little higher in Masculinity while Fiji and Indonesia are a little lower than the average. Fiji and Indonesia display the traits of masculine societies but to a lesser degree, however, do not score low enough on the scale to be rated as Feminine countries. The ‘status and visible symbols of success are important, but it is not always material gain that brings motivation. Often it is the position that a person holds which is more important to them’ (Hofstede-Insights 2023). This cultural dimension is explained further:

In Feminine countries the focus is on ‘working in order to live’, managers strive for consensus, and people value equality, solidarity and quality in their working lives. Conflicts are resolved by compromise and negotiation. Incentives such as free time and flexibility are favoured. Focus is on well-being, and status is not shown. An effective manager is a supportive one, and decision-making is achieved through involvement (Hofstede-Insights 2023).

Australia and the United States, on the other hand, are considered a ‘Masculinity’ culture. ‘Behaviour in school, work, and play are based on the shared values that people should “strive to be the best they can be” and that “the winner takes all”’ (Hofstede-Insights 2023). People from the ‘Masculinity’ cultures are described as being ‘proud of their successes and achievements in life, and it offers a basis for hiring and promotion decisions in the workplace. Conflicts are resolved at the individual level and the goal is to win’ (Hofstede-Insights 2023).

Fourthly, Australia rates as average for uncertainty avoidance, while Fiji and Indonesia, together with the United States, are a little lower than the average. The difference in the scores between these four countries is not significant. The explanation about uncertainty avoidance in Fiji and Indonesia is characterised as follows:

There is a focus on planning, and these plans can be altered at short notice and improvisations made. Emotions are not shown much in these societies; people are fairly relaxed and not averse to taking risks. Consequently, there is a larger degree of acceptance for new ideas, innovative products and a willingness to try something new or different, whether it pertains to technology, business practices, or food (Hofstede-Insights 2023).

Australia and the United States, on the other hand, have been described as having:

a fair degree of acceptance for new ideas, innovative products and a willingness to try something new or different, whether it pertains to technology, business practices or food. People tend to be more tolerant of ideas or opinions from anyone and allow the freedom of expression. At the same time, people do not require a lot of rules and are less emotionally expressive than higher-scoring cultures.’ (Hofstede-Insights 2023)

Fifthly, in terms of long-term orientation, Indonesia rates higher than Australia and the United States, which are very low. There are no records for Fiji, however, judging by previous scores or ratings for power distance, individualism, masculinity and uncertainty avoidance, it may be argued that Fiji is always on par with Indonesia's scores or ratings. Thus, it may be speculated that if the new score is included for Fiji under this dimension, it will be similar to Indonesia's score, which is high. Indonesia's high score of 62 indicates that it has a pragmatic culture:

In societies with a pragmatic orientation, people believe that truth depends very much on situation, context and time. They show an ability to adapt traditions easily to changed conditions, a strong propensity to save and invest, thriftiness, and perseverance in achieving results. (Hofstede-Insights 2023)

Australia and the United States have low scores on this dimension and 'therefore has a normative culture. People in such societies have a strong concern with establishing the absolute Truth; they are normative in their thinking' (Hofstede-Insights 2023).

Finally, Australia and the United States are high in indulgence while Indonesia has a below-average score. Again, if the new scores are to be included for Fiji under this dimension, it may be speculated that it will be similar to Indonesia's scores, which are lower than average. A low score on this dimension indicates:

a culture of Restraint. Societies with a low score in this dimension have a tendency to cynicism and pessimism. Also, in contrast to Indulgent societies, Restraint societies do not put much emphasis on leisure time and control the gratification of their desires. People with this orientation have the perception that their actions are restrained by social norms and feel that indulging themselves is somewhat wrong. (Hofstede-Insights 2023)

On the other hand, a high indulgence by Australia and the United States indicates that:

indulgence generally exhibits a willingness to realise their impulses and desires with regard to enjoying life and having fun. They possess a positive attitude and have a tendency towards optimism. In addition, they place a higher degree of importance on leisure time, act as they please and spend money as they wish (Hofstede-Insights 2023).

Following the discussions on the comparison of the scores between the four countries, the United States, Australia, Indonesia and Fiji, the next section attempts to situate the Solomon Islands on Hofstede's cultural dimensions.

3.3.2 Situating Solomon Islands on Hofstede's cultural dimension

Since the Solomon Islands are not on the list of countries in Hofstede's cultural dimension, the study used the ratings of Fiji, a Melanesian country like the Solomon Islands. There is no other Pacific Islands country apart from Fiji in the list of countries in Hofstede's cultural dimension, and therefore, the study also used Indonesia's rating to compare with Fiji since Indonesia has a population of Melanesian people in the Province of West Papua. In theory, the culture of Melanesian people is similar and consequently the ratings are comparatively similar as well. Interestingly, Fiji and Indonesia have a similar rating pattern. Because of the similar rating pattern in Hofstede's cultural dimension, it is assumed that the rating for Fiji for the last two dimensions, long-term orientation (fifth) and indulgence (sixth) will be similar to Indonesia, a high in long-term orientation and a low in indulgence.

Since Fiji is high on the Power Distance Index (PDI), low on the Individualism Index (IDV) and therefore, high in collectivism, lower than average in Masculinity (MAS), lower than average in Uncertainty Avoidance (UAI), a high in long term orientation and a low in indulgence, Solomon Islands can be assumed to have similar ratings to Fiji. Solomon Islands would be expected to be high on the Power Distance Index (PDI), low on the Individualism Index (IDV) and therefore, high in collectivism, lower than average in Masculinity (MAS), and lower than average in Uncertainty Avoidance (UAI), a high in long term orientation and a low in indulgence. Based on Fiji's and Indonesia's ratings, the Solomon Islands' assumed rating on Hofstede's six cultural dimensions can be summarised in Table 9 on the next page.

Table 9: Hofstede’s cultural dimension derived rating for the Solomon Islands

Dimensions	Findings
Power Distance (PDI)	<p>High: The fundamental issue addressed by this dimension is how a society handles inequalities among people when they occur (Hofstede 2011).</p> <ul style="list-style-type: none"> • High Power Distance cultures accept an unequal, hierarchical distribution of power, and that people understand "their place" in the system.
Individualism vs Collectivism (IDV)	<p>Collectivism: The fundamental issue addressed by this dimension is the degree of interdependence a society maintains among individuals – collectivism (Hofstede 2011).</p> <ul style="list-style-type: none"> • People are loyal to the ingroups (<i>wantoks</i>) to which they belong, and, in exchange, the ingroups defend their interests. People take responsibility for one another’s well-being.
Masculinity vs Femininity (MAS)	<p>Femininity: The fundamental issue addressed by this dimension is how cultures value traditional masculine and feminine roles (Hofstede 2011).</p> <ul style="list-style-type: none"> • Solomon Islands’ culture has respect for women. • Matrilineal cultures follow the female lineage in genealogy while patrilineal cultures follow the male lineage in genealogy.
Uncertainty Avoidance (UAI)	<p>Low: The fundamental issue addressed by this dimension is how a society reacts to the fact that the future is unknown, whether it tries to control the future or let it happen (Hofstede 2011).</p> <ul style="list-style-type: none"> • Solomon Islanders are more tolerant of opinions different from what they are used to. • Have fewer rules. • On the philosophical and religious level, they are empiricist, and relativist and allow different currents to flow side by side. • Solomon Islanders tend to be more tolerant of change, more phlegmatic and contemplative, and not expected by their environment to express emotions.

Table 9: Hofstede’s cultural dimension derived rating for the Solomon Islands continued

Dimensions	Findings
Long-term vs Short-term	<p><i>Long-term:</i> The fundamental issue addressed by this dimension relates to how a society perceives the choice of focus for people’s efforts: the future or the present and past (Hofstede 2011).</p> <ul style="list-style-type: none"> • cultures encourage delaying gratification or the material, social, and emotional needs of their members • focus on the future in a way that delays short-term success in favour of success in the long term • the cultures emphasise traits such as persistence, perseverance, thrift, saving, long-term growth, and the capacity for adaptation
Indulgence vs Restraint	<p><i>Restraint:</i> The fundamental issue addressed by this dimension is the extent and tendency of a society to fulfil its desires, either allowing relatively free gratification now or controlling basic human desires related to enjoying life and regulating through social norms (Hofstede 2011).</p> <ul style="list-style-type: none"> • culture tends to suppress the gratification of needs and regulate them through social norms • for example, in a restrained society, people are more likely to save money and focus on practical needs

Rafiee and Sarabdeen (2012, p. 8) also concluded that ‘Most of the emerging market falls on high PDI, low in IDV (Collectivist), high in UAI and low in MAS as per Hofstede classification of cultural dimensions, it is common to notice weak corporate governance practices.’ Although the fifth and sixth cultural dimensions were not included in their study since these two dimensions were added in 2010, the findings from the comparison of the four countries (Australia, Fiji, Indonesia and the United States) also confirm the conclusions drawn out by Rafiee and Sarabdeen (2012). In emerging markets or developing countries, power has been distributed unequally among the members of the society. In societies with high power distance, ordinary people are afraid of disagreeing with managers and they comply with managers' decisions (Hofstede 1980a). This is common in collectivist cultures.

Hofstede’s six cultural dimensions can be utilised to gain insights into the dynamics of *wantok* system practices. Firstly, Power Distance highlights the hierarchical aspects within

wantok system practices, where respect and deference to elders or influential members reflect the acceptance of authority and social hierarchies. Secondly, the dimension of Collectivism versus Individualism helps explain the emphasis on collective goals, interdependence, and mutual support within *wantok* networks, showcasing the collectivist nature of these practices. Thirdly, the dimension of masculinity versus femininity helps us understand gender roles and relationships within *wantok* system practices, although it may have a less direct application compared to other dimensions. Fourthly, Uncertainty Avoidance sheds light on the preference for stability and predictability within *wantok* system practices, as individuals rely on established social networks and kinship ties for security and certainty. Fifthly, Long-Term versus Short-Term Orientation aligns with the long-term perspective inherent in *wantok* system practices, emphasising enduring relationships, loyalty, and the passing down of traditions and values. Lastly, Indulgence versus Restraint underlines the societal emphasis on restraint and adhering to social norms within *wantok* networks, highlighting self-control, decorum, and conformity.

3.4 Horizontal and vertical collectivism attributes

Triandis and Gelfand (1998, p. 118) introduced additional attributes to individualism and collectivism and termed them as vertical or horizontal individualism and collectivism. The vertical patterns emphasise hierarchy – how individuals differ from each other. The horizontal patterns emphasise equality – how an individual is more like other individuals. The combinations of these relative emphases with individualism and collectivism can be categorised as horizontal individualism (independent/same), horizontal collectivism (interdependent/same), vertical individualism (independent/different), and vertical collectivism (interdependent/ different).

In collectivist cultures, the vertical pattern stresses hierarchy and sees some members of the ingroup as more important than most members of the ingroup. For example, ‘if ingroup authorities need them to act in ways that benefit the ingroup, individuals in vertical collectivist cultures are willing to submit to the will of these authorities’ (Auyeung & Sands 2003, p. 35). Auyeung and Sands (2003, p. 35) quoted Rokeach’s study (1973) that identifies China as relatively high in vertical collectivism. On the other hand, the horizontal pattern stresses equality and includes a sense of social cohesion and oneness with members of the ingroup. For example, people in horizontal cultures are more distrustful of authorities and may convert a

teacher-student relationship to a friend-friend relationship. Horizontal patterns emphasise equality, that is, oneself is more or less like every other self.

Horizontal collectivism aligns with the strong sense of community, cooperation, and mutual support within *wantok* networks. *Wantok* system practices emphasise egalitarian relationships, shared responsibilities, and the pursuit of group harmony. On the other hand, elements of vertical collectivism can be observed in *wantok* system practices, reflecting the presence of hierarchical relationships and deference to authority figures within the network. This vertical dimension may influence decision-making, resource allocation, and the acceptance of certain individuals as influential or authoritative within the *wantok* system. By considering both horizontal and vertical collectivism, we gain a more comprehensive understanding of the cultural dynamics that shape *wantok* system practices, including the balance between equality and hierarchy within the social network.

3.5 Tightness-looseness culture context of collectivism

Tightness has its origin in the tightness-looseness culture. Tightness–looseness in the cultural context is defined as the ‘degree of hierarchical structure among sociocultural elements in a society’ (Witkin & Berry 1975, p. 12). Cultural tightness-looseness was first described by Berry (1967) and Pelto (1968) who classified the Japanese, Hutterites, and Pueblo Indians as tight cultures with strong social norms and with severe sanctions for violation of them. Triandis (1989, p. 506) then described it as one of the three main dimensions of culture (along with collectivism and complexity¹⁵).

More recently, Michelle Gelfand of the University of Maryland and colleagues have been studying cultural tightness-looseness in depth (Gelfand et al. 2006; Gelfand et al. 2011; Stankou et al. 2019). The tightness–looseness theory suggests that, throughout history, strict rules, as well as the order and coordination that tightness confers, have helped groups to coordinate to survive under high threat.

¹⁵ Complexity is defined as ‘the number of distinguishable elements might be few versus many, the differentiation within the elements may be small or large, and the integration of the elements may be small or large. The number of nonoverlapping elements, the differentiation of the elements, the extent to which a change of one element changes other elements (e.g., I am bold; I am sensitive) is clearly relevant to complexity. Cultural complexity is defined as ‘the number of potential relationships’ (Triandis, HC 1989, ‘The self and social behavior in differing cultural contexts’, *Psychological Review*, vol. 96, no. 3, pp. 506-20.), among individuals in a culture.

Cultural tightness can be described as ‘the strength of social norms¹⁶ and degree of sanctioning within societies’ (Gelfand *et al.* 2006, p. 1226). People in tight cultures have less variation in their behaviour and are held more accountable for their behaviour than people in loose cultures. In other words, tight cultures are characterised by stronger norm adherence and sanctioning of norm-deviant behaviour. Gelfand (2018, p. 181) stated that ‘People in tight cultures preferred to have a clear instruction mode of life and private consistent routines. People in loose cultures were much more comfortable with ambiguity’. Gelfand (2018, p.175) further pointed out that ‘people in tight cultures ... abide by strong social norms.’ On the other hand, Gelfand (2018, p.53) identified that people in ‘loose cultures, with their openness and permissiveness, embrace change and are more adaptable to new and potentially better ideas that come along’.

Gelfand in an interview with Nussbaum in 2019 stated that ‘tight cultures have more order¹⁷—they are more coordinated, uniform, and have people who have more self-control—after all, they have to regulate their behaviour a lot to avoid punishment¹⁸’ (Nussbaum 2019). Gelfand in that interview further stated that people in tight cultures have less variation in their behaviour and are held more accountable for their behaviour. Following this discussion, the tightness culture may be argued as tied in with the restraint versus indulgence of Hofstede’s cultural dimensions.

In a 33-nation study of tight and loose cultures, Gelfand *et al.* (2011, p. 1103) explored the differences between tight and loose cultures which are characterised by the overall strength of social norms and tolerance of deviance. The study measured the cultural differences using a six-item Likert scale and collected data on ecological and historical threats and social institutions from established databases. The study found that tight cultures have stronger social norms and less tolerance for deviance while loose cultures have weaker social norms and more tolerance for deviance.

¹⁶ Gelfand (2018, p. 3) stated that ‘all cultures have social norms – rules for acceptance – that we regularly take for granted’ Gelfand, M 2018, *Rule makers, rule breakers: tight and loose cultures wire our world*, New York, NY: Simon & Schuster..

¹⁷ Gelfand (2018, p. 36) pointed out that ‘tight cultures have comforting order and predictability, but they are less tolerant’.

¹⁸ Gelfand (2018, p. 46) stated that ‘Tight cultures generally have low crime, high synchrony, and a high degree of self-control’.

Unfortunately, Indonesia¹⁹ which was used as an indicator for the Pacific nations in the current study was not included in the 33-nation study. There are no other Pacific Island countries listed under the 33-nation study of tight and loose cultures. Gelfand et al. (2011) did include Malaysia in their study. Malaysia²⁰ may be referred to as a collectivist society, and may be closer and similar to Indonesia is, and therefore it was used for comparative purposes given there are similar cultural factors, for example, the significant influence of Islam on the culture which is similar to Indonesia.

Indonesia is used in the current study for country comparison under Hofstede's cultural dimension with scores almost identical to Fiji, a country with cultures similar to the Solomon Islands has a tight culture. The tightness culture found in Malaysia may be indicative of the similar tight cultures in the Pacific Island countries including the Solomon Islands.

3.6 Pacific Island cultures

The current study provides only three countries among the many Pacific Island countries as examples of countries with collectivist and tightness cultures. These three countries are Fiji, Samoa, and Papua New Guinea. In the tribal villages of Fijian society, the economic property or resources are shared and social organisation is very communal (Evason 2016). For example, children may be raised by the collective effort of a community. Evason (2016) further stated that by the custom of *kerekere*, any relative or neighbour can request a favour or ask for something that they need, and it will be willingly provided without any underlying expectation of repayment. The Fijian character is often extremely generous and inclusive (Evason 2016).

The Samoan society is based on a collectivist system of governance known as *fa'a Samoa* or '*fa'a Matai*' (Scroope 2017). Scroope (2016) further explained that people tend to be communal and share their goods rather than prizing individual ownership. Matai (chiefs or leaders) are responsible for administrative duties and maintaining the traditions and customs of the village, and they are also seen as spiritual caretakers of all those who fall under their authority. The status of Matai is highly respected within the community (Scroope 2017).

¹⁹ Indonesia is a country close to the Pacific Islands where part of the population is Melanesians – West Papua, borders with Papua New Guinea. According to the Indonesian Central Bureau of Statistics (BPS) in 2020, Indonesia is 86.7% Muslim and 7.6% Christian (<https://www.bps.go.id/indicator/23/205/1/agama-yang-dianut-menurut-kelompok-umur.html>).

²⁰ According to the Department of Statistics Malaysia (DOSM), Malaysia is 61.7% Muslim and 9.2% Christian (https://www.dosm.gov.my/v1/index.php?r=column/cthemByCat&cat=117&bul_id=bW9kSWRvblBhY2thZ2VOZXdzSW5kZXg=).

In Papua New Guinea, collectivism manifests in land ownership. Land is owned by tribes, perceiving their rights to land by birth right, not individual land ownership (Scroope 2016). Another example is the notion of reciprocity in forming and maintaining relationships. Assistance to others comes with the expectation that something of equal value is owed and will be returned. There is an expectation that members from the same *wantok* will be willing and available to help one another (Scroope 2016). It is obvious from these discussions that the societies of the three countries in the Pacific region under study, Samoa, Fiji and Papua New Guinea, have a collectivist cultural system. The examples of the three countries indicate that the cultures of the Pacific Islands are collectivist-tightness cultures. The next section discusses the multilevel theoretical model.

3.7 Multilevel theoretical model

Achinstein (1965, p. 103) states that ‘A theoretical model consists of a set of assumptions about some object or system.’ It is a framework that researchers create to structure a study process and plan how to approach a specific research inquiry. A theoretical model helps to explain the purpose of a research project and develop an informed perspective. While a theory explains why something happens, a theoretical model shows how to use a theory to explain the results or why certain actions were taken. Stamkou et al. (2019, p. 950) model of collectivism and tightness provides a useful starting point for developing a suitable theoretical framework for this study.

Prior to discussing the components of the Stamkou et al. (2019) model, a brief contextual background of the model, potential limitations and the justification for use of the model in the study are discussed. The study comprised more than 2,000 individuals from 19 countries who were required to read a description of an organisational meeting which outlined how a person (named K) either violated or adhered to norms that are typical for organisational meetings, such as punctuality, discretion and talk-in-turns. After reading one of the two vignettes, participants answered questions measuring their perception of K’s power, their feelings of moral outrage, their tendency to support K as a leader, and their perception of K’s behaviour as norm-violating. Participants also answered questions measuring cultural collectivism and tightness.

First, the model underscores the importance of social norms in shaping individuals’ behaviour and attitudes. Social norms are unwritten rules that govern behaviour in a particular social context, and play a crucial role in maintain social order and cohesion. When individuals

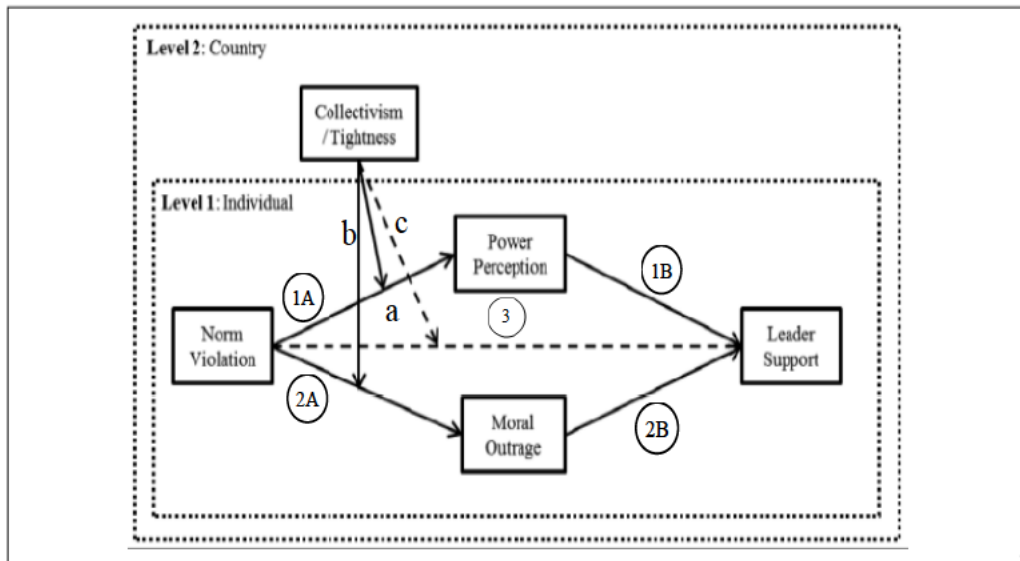
violate social norms, they may face social sanctions, such as disapproval, ostracism, or punishment. Cultural values and norms can influence individual's responses to norm violations. For example, collective cultures tend to emphasise group harmony and conformity, and individuals in these cultures may be more likely to disapprove of norm violations and less likely to support norm violators as leaders.

Second, the potential limitations of the model include the fact that the study was conducted using hypothetical scenarios and self-reported measures which may not fully capture an individual's actual behaviour and attitudes in real-life situations. Moreover, the study focused on a limited set of cultural variables (collectivism and tightness) and did not explore other potentially relevant cultural dimensions such as individualism, masculinity or uncertainty avoidance. The participants had an average age of 23, and behaviours may differ between age groups.

Third, the justification for the use of the Stamkou et al. (2019) model in the study is that it provides a theoretical framework for understanding how cultural values and norms can influence individuals' responses to norm violations and their willingness to support norm violators as leaders. By applying the model to the cultural context of the Solomon Islands and the *wantok* system, the study can shed light on how cultural factors shape corporate governance practices and how they can be leveraged to promote ethical behaviour and accountability.

The subsequent paragraphs discuss the components of the Stamkou et al. (2019) model and the proposed relationships between the components. Some brief comments regarding the Solomon Islands are integrated into the description of the model. In the following section, greater detail is provided regarding how aspects of the model may apply to the leadership of SOEs and corporate governance in the Solomon Islands. Stamkou et al. (2019) model is shown in Figure 5 on the next page. For ease of reference, the current study includes numbers and letters in the model.

Figure 5: Multilevel theoretical model



Source: Stamkou *et al.* (2019, p. 950)

The Stamkou *et al.* (2019, p. 950) model explains the positive pathway from norm violation to leader support through power perception and the negative pathway from norm violation to leader support through moral outrage at the individual level and moderated by collectivism and tightness cultures at the country level. The model consists of several components:

1. Individual-level predictors: There are two individual-level predictors, norm violation and power perception. Norm violation in the context of this model refers to the extent to which a leader's behaviour violates social norms while power perception refers to the extent to which a leader is perceived to have power. Both norm violation and power perception are individual predictors because they are measured at the individual level and are assumed to vary across individuals within a given society. Both individual-level indicators have direct effects on leader support as well as indirect effects through the mediators of power perception and moral outrage.
2. Mediators: The model includes two mediators, power perception and moral outrage (leader behaviour). Power perception mediates the relationship between norm violation and leader support while moral outrage mediates the relationship between norm violation and leader support.

3. Outcome variable: The model includes one outcome variable, leader support. Leader support refers to the extent to which individuals in a society support a leader who engages in norm-violating behaviour.
4. Moderators: The model has two moderators, collectivism and tightness. Collectivism refers to the extent to which individuals in a society prioritise group goals over individual goals while tightness refers to the extent to which a society has strong norms and low tolerance for deviant behaviour. Collectivism and tightness moderate the relationship between norm violation and leader support as well as the indirect effects of norm violation on leader support via power perception and moral outrage.
5. Cross-level interactions: The model includes several cross-level interactions between individual-level predictors and country-level moderators. These interactions test the extent to which the relationship between norm violation and leader support as well as the indirect effects of norm violation on leader support via power perception and moral outrage (leader behaviour) vary across different levels of collectivism and tightness.

The multilevel theoretical model provides a framework for understanding the complex relationships between norm violation, power perception, moral outrage, collectivism, tightness, and leader support (Stamkou *et al.* 2019).

At the individual level

Stamkou et al. (2019) study aimed to investigate how people's reactions to norm violators influence their behavioural tendencies to support the violator as a leader. Stamkou et al. (2019) study also examined how cultural values, specifically collectivism and tightness, moderated these processes. The results showed that people in more collectivistic cultures were less likely to support norm violators as leaders, and those in tighter cultures were more likely to support norm followers as leaders.

van Kleef et al. (2015, p. 25) define norms as rules (implicit or explicit) that constrain behaviour without the force of laws – are important guiding principles in organisations and societies at large. Norms are embedded in a social context that involves the shared expectations of others and, therefore, responses to norm violations²¹ depend on a society's perceived cultural

²¹ The study does not explicitly mention any specific norms. Instead, the model focuses on how people's reactions to norm violations influence their behavioural tendencies to support the violator as a leader, and how

norms, which influence how people are perceived to behave in a given context (Paluck & Shepherd 2012, p. 900).

According to the Stamkou et al. (2019) model, the positive pathway of the model from norm violation is through power perception to leader support (arrow lines 1A and 1B): (i) Norm violation via power perception - when individuals observe norm-violating behaviour, they may perceive the violator as having more power or status than others who follow the norms. The perception of power can increase the violators' attractiveness as leaders. (ii) Power perception leads to leader support – the perception of power can lead to increased support for the violators as leaders, thus, individuals may be more likely to follow leaders they perceive as powerful or influential. Therefore, the positive pathway suggests that norm-violating behaviour can increase an individual's perceived power which in turn can increase their support as leaders (Stamkou *et al.* 2019).

In terms of power perception, Michener et al. (1973, p. 160) explained it as a function of the control person's exercise over their own and another's outcome. Anderson et al. (2012, p. 314) further stated that 'power is not simply the control over resources or composed solely of one's social position' but 'also a perception of one's capacity to influence others'. Power perception refers to how individuals perceive the power or influence that another person or group has over them or over a situation. Power perception can be influenced by a variety of factors, including the behaviour and actions of the person or group in question, the context in which the power dynamic is occurring, and the individual's own beliefs and values. Power perception can have a significant impact on individual behaviour and decision-making. For example, individuals who perceive themselves as having less power in a situation may be more likely to conform to the expectations of others or to defer to the opinions of those they perceive as having more power.

Conversely, individuals who perceive themselves as having more power may be more likely to take risks, make decisions independently, or act in a more assertive or dominant manner. Power perception can also be influenced by cultural factors. For example, in collectivistic cultures, power may be associated with social responsibility and obligation to the group. In the *wantok* system culture, leaders are perceived as having responsibilities and obligations to take care of the needs of their family members, relatives and communities. These

cultural values modulate these processes. The study used norm violations as a way to manipulate the independent variable in order to test the theoretical model.

cultural differences can shape how individuals perceive and respond to power dynamics in different contexts. Stamkou *et al.* (2019) found that under power perception, the norm violators are more likely to be supported as leaders.

The negative pathway of the model from norm violation through moral outrage to leader support (arrow line 2A and 2B): (i) Norm violation via moral outrage - when individuals observe norm-violating behaviour, they may feel moral outrage which is a negative emotional response to behaviour that violates moral or ethical standards. This moral outrage can decrease the violators' attractiveness as leaders. (ii) Moral outrage leads to decreased leader support. The negative emotional response of moral outrage can lead to decreased support for the violators as leaders, as individuals may be less likely to follow leaders whom they perceive as morally wrong. Therefore, the negative pathway suggests that norm-violating behaviour can decrease individuals' support as leaders, as moral outrage can lead to negative perceptions of the violators' character and suitability as leaders (Stamkou *et al.* 2019).

Moral outrage 'is an emotional response to what other people do, and not to what we do ourselves' (Goodenough 1997, p. 5). It involves both emotion and what people perceive to be the right way for people to deal with one another, including what they see as their rights, which form a part of what is right. Moral outrage refers to a strong emotional response to perceived violations of moral or ethical standards. It is a feeling of anger, indignation, or disgust that arises when individuals witness or become aware of behaviour that they believe is morally wrong or unjust (Goodenough 1997).

Stamkou *et al.* (2019) study found that under moral outrage (negative affective reactions), the norm violators are less likely to be supported as leaders because they elicit moral outrage. In the case of the current study, if the SOE leaders do not adhere to or follow the cultural norms, they would face moral outrage and therefore, it is less likely that they would be supported by their communities. Considering these conclusions, the SOE leaders who adhere to cultural norms may not comply with corporate governance practices.

In terms of the direct effect of norm violation on leader support (arrow line 3), norm violation leads to decreased leader support, as individuals may be less likely to follow someone they perceive as violating social norms. Therefore, the direct effect of norm violation on leader support suggests that norm-violating behaviour can decrease individuals' support as leaders (Stamkou *et al.* 2019).

At the country level

Stamkou *et al.* (2019) found that the relative strength of these paths, positive pathway - the power perception (positive cognitive reactions – lines 1A and 1B) and negative pathway - moral outrage (negative affective reactions – lines 2A and 2B) depend on the country's collectivism and tightness (see solid lines *a* and *b* from collectivism and tightness in Figure 5). The direct effect of norm violation on the support for leaders (line 3) is moderated by the country's collectivism and tightness (dashed arrows *c* in Figure 5).

Stamkou *et al.* (2019) found that the more collectivistic the culture is, the more moral outrage individuals experience in reaction to norm violations. The tighter the culture is, the more individuals would support norm followers as leaders. The people are reluctant to support violators as leaders. The non-support for norm violators is stronger in more collectivistic countries where people consider norm violators less powerful or weaker than norm followers (Stamkou *et al.* 2019).

The positive and negative relationship between norm violation and leader support via power perception and moral outrage is stronger in societies that are both high in collectivism and high in tightness. Therefore, the interaction of collectivism and tightness on the positive and negative pathways from norm violation to leader support via power perception and moral outrage suggests that the cultural values of collectivism and tightness can influence the strength of the relationship between norm violation and leader support via power perception and moral outrage. In cultures that are both high in collectivism and tightness, norm-violating behaviour via power perception may be more strongly associated with increased support for the violator as leaders while norm-violating behaviour via moral outrage may be more strongly associated with decreased support for the violator as leaders.

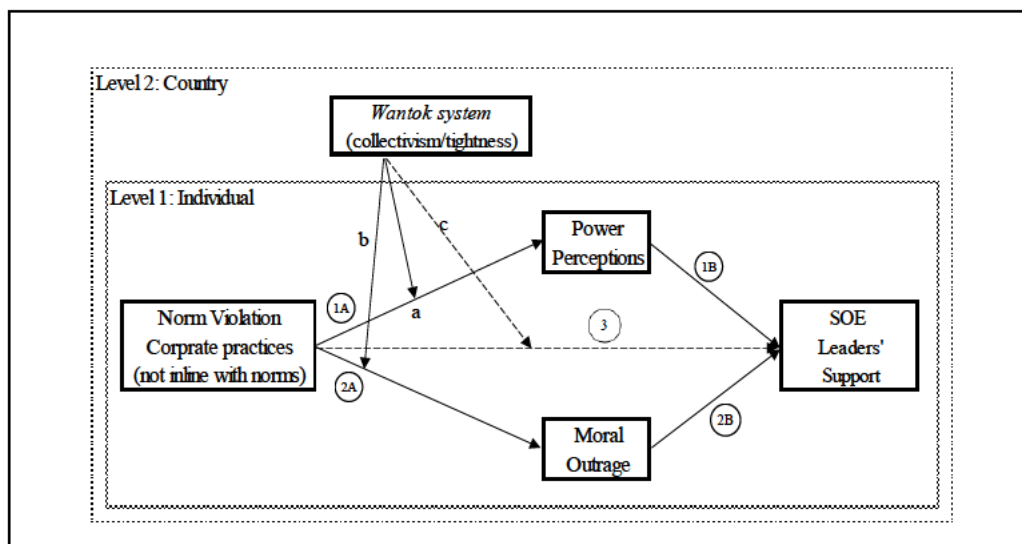
Predicting the strength of these paths depends on the country's collectivism and tightness. The two cultures used in the multilevel theoretical model are collectivist culture and tightness culture. These two cultures are discussed earlier at the beginning of this chapter. Tightness was not discussed in Hofstede's cultural dimension, however, Triandis (1989) described cultural tightness as one of the dimensions of culture, along with collectivism. The multilevel theoretical model is adapted to aid an understanding of how power perception and culture (*wantok* system) interact in shaping the experiences and behaviours of the SOE leaders and therefore, influence their decisions concerning corporate governance. The next section will discuss the theoretical perspectives for the study.

3.8 Theoretical perspectives for the study

3.8.1 Multilevel theoretical model

Stamkou *et al.* (2019) developed a multilevel theoretical model that has been used to explain how people perceive the SOE leader's power when the sound corporate governance practices are non-compliant with norms which leads to a lack of support for the SOE leader. While Stamkou *et al.* (2019) multilevel theoretical model applies a quantitative construct, this study adopts a qualitative approach to examine how sound corporate governance practices that are non-compliant with norms, power perception and the *wantok* system influence the decisions of SOE leaders. The current study uses a modified version of Stamkou *et al.* (2019) multilevel theoretical model as presented in Figure 6 below.

Figure 6: Modified multilevel theoretical model



Source: Stamkou *et al.* (2019) modified by Iyabora (2023), corporate practices = sound corporate governance practices

The modified multilevel theoretical model in Figure 6 shows a mediated dual pathway from non-compliance of sound corporate governance practices with norms to reduce support of SOE leaders through the lack of SOE's perceived power and the community's moral outrage. However, prior to discussing the modified multilevel theoretical model, the following two important understandings must be noted. Firstly, to apply the modified multilevel theoretical model in the context of the Solomon Islands, the study has to determine that the Solomon Islands is a collectivist-tightness culture using Hofstede's cultural dimension framework, which is the reason for situating the Solomon Islands on Hofstede's cultural dimension in

Section 3.3.2 of this chapter. The reason we need to establish the collective-tightness culture is because Stamkou *et al.* (2019) found that the interaction between the collective-tightness culture and violation of cultural norms has a direct and significant impact on the support for the leaders which in this study would be the SOE leaders.

Secondly, there are sound corporate governance practices that follow the *wantok* system culture norms and values such as the practice of respect, trust, reciprocity, responsibility and goodwill, and so forth. However, the application of the practices may differ. For example, in sound corporate governance practices, leaders are responsible for recruiting the best qualified and experienced persons for the jobs. However, under the *wantok* system, leaders are responsible for supporting and taking care of their relatives, family members or even friends by recruiting them for jobs. In this case, if SOE leaders decide to follow strictly the corporate recruitment practices, then they could be seen as violating the cultural norm by not being responsible to the people or communities that they are expected to care for as leaders. Therefore, because of a strong adherence to cultural norms, SOE leaders' decisions may be influenced by the *wantok* system obligations, resulting in non-compliance to sound corporate governance practices.

It follows that the application of sound corporate governance practices where the practices do not follow the *wantok* system are considered to violate the cultural norms. For example, corporate governance practices emphasise fairness and equal opportunity in recruitment. *Wantok* practices often prioritise relationships, and kinship ties and favour family or close friends in business decisions. This contradicts the principle of equal treatment and transparency in sound corporate governance practices.

The current study identifies four corporate governance practices that are not in line with, or contradict, the norms - recruitment practices, appointment of the board of directors, awarding contracts, and customer services. Therefore, the SOE leaders may face a dichotomous situation in their decision-making processes - either to comply with the corporate governance practices that are consistent with the *wantok* system norms or adhere to *wantok* system norms and not comply to sound corporate governance practices. The study proposes two scenarios when applying the modified multilevel theoretical model for the study:

First scenario – modified multilevel theoretical model – *wantok* system norms adherence where the sound corporate governance practices are consistent with *wantok* system norms

- SOE leaders who adhere to norms and maintain sound corporate governance practices are more likely to be perceived as having power and will receive support as leaders: on an individual level (level 1), from the people, communities, relatives and friends (Lines 1A & 1B in Figure 6).
- SOE leaders who adhere to norms and maintain sound corporate governance practices will rate, on an individual level (level 1), will not experience the moral outrage of the people, communities, relatives and friends who will support the SOE as a leader (Lines 2A & 2B in Figure 6).
- At a country level (level 2), the *wantok* system is identified as a collective, tightness and horizontal culture and should experience an interaction of these three cultural characteristics within the *wantok* system's norms. When the SOE leaders conform to the *wantok* system's norms (which align with sound corporate governance practices) there should be support for the SOE leaders within a collectivism/ tightness/horizontal culture (Line c and Line 3 in Figure 6).

Second scenario (proposed) – modified multilevel theoretical model – *wantok* system norms adherence where the sound corporate governance practices are not consistent with *wantok* system norms.

- SOE leaders who violated norms to maintain sound corporate governance practices are less likely to gain support as leaders, on an individual level (level 1), from the people, communities, relatives and friends (Lines 1A & 1B). For this scenario, leaders perceive themselves to have more legislative power or status but the perception of the people, communities, relatives and friends of the leaders' power decreases as does the SOE leaders' attractiveness decrease as leaders (Lines 1A & 1B in Figure 6). Consequently, when this lack of leader support occurs, leaders may be more likely to adhere to the *wantok* system norms to avoid this loss of cultural status or power and to achieve support as leaders.
- SOE leaders who violate norms to maintain sound corporate governance practices will result: on an individual level (level 1), in people, communities, relatives and friends experiencing moral outrage that will lead to a decrease in leader support. That is, people may be less likely to follow such leaders. (Lines 2A & 2B in Figure 6). Consequently, when this moral outrage and lack of leader support

occurs, leaders may be more likely to adhere to the *wantok* system norms to avoid this moral outrage and to achieve support as leaders.

- At a country level (level 2), the *wantok* system, identified as collective, tightness and horizontal culture, should experience an interaction of these three characteristics with the *wantok* system's norms. That is, when the SOE leaders violate *wantok* system norms (which are inconsistent with sound corporate governance practices), then support will not occur for the SOE leaders within a collectivism/ tightness/horizontal culture (Line c and Line 3 in Figure 6).

Thus, the current study identified four sound corporate governance practices that are not in line with (or contradict) the norms - recruitment practices, appointment of the board of directors, awarding contracts and customer services. The four corporate governance practices identified in Chapter 2 (Section 2.12) that are the focus of this study would be non-compliant with *wantok* norms and, therefore, the second scenario should be relevant for this study.

3.8.2 *The use of theories in qualitative studies*

This section discusses the use of theories in qualitative studies and how the theories identified in this chapter will be used in the current study. Firstly, the use of theory varies in qualitative studies. Creswell and Creswell (2023, p. 51) states that in a qualitative study, the researcher 'may generate a theory during a study and place it at the end of the project such as in grounded theory' or 'theory comes at the beginning and provides a lens that shapes what is looked at and the questions asked'. In the case of the current study, the theories were not generated but identified earlier in the study. The theories have been used to guide the interview questions and to provide insights into the findings. The current study identified two sets of theories: (i) theories of corporate governance and (ii) theories of culture. The theories of corporate governance (agency theory and the ethical (normative) branch of stakeholder theory) are discussed. However, the ethical (normative) branch of stakeholder theory is concluded to be the more appropriate theory for the scope of the study. Cultural theories that focus beyond Hofstede's cultural dimensions are used to gain further insight into *wantok* system practices. Theories concerning collectivism, tightness-looseness, and vertical-horizontal culture are also relevant to the Solomon Islands.

Secondly, the modified multilevel theoretical model (see Figure 6 above) shows how the theories will be used in the study to predict the probable impact of the *wantok* system on leaders

of SOEs' corporate governance practices. At the organisational level, the expected level of corporate governance practices is based on the corporate governance model adopted – shareholder-oriented model or stakeholder-oriented model. In the case of this study, the stakeholder-oriented model. Since human beings oversee, monitor, evaluate or use corporate governance systems, the decisions and practices are prone to external influences, such as cultural influence. In the modified multilevel theoretical model, the SOE leaders may gain support from their communities and families because SOE leaders, for example, recruit their relatives directly. This direct recruitment style bypasses the established recruitment procedures and is perceived as not in compliance with sound corporate governance practices. In the case of this example, the SOE leaders may have used discretionary powers given to them. In addition, the SOE leaders may carry out such direct recruitment practices because of power perception. On the other hand, should the SOE leaders comply with the established recruitment procedures and not adhere to the *wantok* system norms, they may face moral outrage from their communities and families and therefore, support for SOE leaders may reduce.

With this modified multilevel theoretical model, the cultural theories, collectivism (including horizontal and vertical collectivism) and tightness-looseness theories, together with Hofstede's cultural dimensions theories, help to understand and gain insights into the *wantok* system practices that influence the SOE leaders' decisions leading to non-compliance with sound corporate governance practices. This study investigates non-compliance with generally accepted international corporate governance practices by the SOE leaders. The study considers the cultural influences of the *wantok* system obligations: common language, common kinship group, common geographical area of origin, common social associations or religious groups, and common belief in the principle of mutual reciprocity. The five (5) *wantok* system obligations were identified in the literature (see Sections 2.12 of Chapter 2) to identify the extent of *wantok* system influence, and which of the five (5) *wantok* system obligations has the greatest influence on the corporate governance practices in the Solomon Islands SOEs. The current study selected four (4) corporate governance practices identified in the previous chapter, Chapter 2 (see Section 2.12 of Chapter 2) for the corporate governance practices of the Solomon Islands SOEs. The selected corporate governance practices are: (i) recruitment practices, (ii) appointment of the board of directors, (iii) awarding contracts, and (iv) fair treatment of customers.

Understanding the extent of the *wantok* system influence and the *wantok* system obligations that have a significant influence on the corporate governance practices may explain

the SOE leaders' behaviours (through power perception and moral outrage) towards non-compliance with the sound corporate governance practices. The objectives of the study are therefore, first, to investigate the influences of the *wantok* system on corporate governance practices of the Solomon Islands SOEs, and second to identify various strategies that can be undertaken to strengthen and reorientate the SOEs' corporate governance practices.

3.8.3 First study to use the multilevel theoretical model

This research is one of the first studies to use Stamkou et al. (2019) new multilevel theoretical model but from a qualitative perspective. The study follows the sequencing of the model's framework by identifying the non-compliance with sound corporate governance practices by the SOE leaders holding positions of power (power perception) because of the influence of the *wantok* system (collectivist-tightness culture in a tightness-looseness/ vertical-horizontal context). Using this model, the study will provide insights into how the SOE leaders in positions of power are perceived as powerful which may result in non-compliance with sound corporate governance practices of the Solomon Islands SOEs due to SOE leaders adhering to the cultural norms of the *wantok* system.

3.9 Conclusion

This chapter provided the multi-perspective approach to using theories in the current study. Firstly, the study used the stakeholder perspective approach. The ethical branch of stakeholder theory offered valuable insights into the dynamics of *wantok* system practices. The theory emphasised the interdependence and reciprocity among stakeholders. This normative theory recognises the ethical dimensions of relationships and decision-making, aligning with the ethical norms, trust, and sense of duty that guide *wantok* system practices. By applying the ethical branch of stakeholder theory, a deeper understanding of the interconnectedness, ethical considerations, and long-term orientation that underpin *wantok* system practices was gained.

Secondly, the study used Hofstede's six cultural dimensions [(i) individualism versus collectivism, (ii) power distance, (iii) masculinity versus femininity, (iv) uncertainty avoidance, (v) long-term versus short-term, and (vi) indulgence versus restraint], along with tightness-looseness and the horizontal and vertical collectivism theories to gain insights into the dynamics of *wantok* system practices in the Solomon Islands SOEs.

The modified multilevel theoretical model provided a framework to understand how the SOE leaders' behaviours (power perception and moral outrage) and the *wantok* system

influenced the SOE leaders' decisions and their approaches to the corporate governance practices of the SOEs. It also provided a helpful framework in guiding the application of the theories in the context of the current study.

CHAPTER 4: RESEARCH METHODOLOGY

4.1 Introduction

This chapter discusses the methodology of the study. The research methodology describes and justifies the research design choices made for the study. The design choices were based on the aims of the research as outlined in Section 1.4 of Chapter 1 of this study. The study aims to explore how to enhance the corporate governance of Solomon Islands SOEs through understanding the influences of the *wantok* system. Therefore, the two main objectives of the study are: Firstly, to investigate the influences of the *wantok* system on corporate governance practices of the Solomon Islands SOEs and, secondly, to identify various strategies that can be undertaken to strengthen and reorientate the SOEs' corporate governance practices. The study used a cross-sectional qualitative approach to inquiry using a survey and interviews.

This chapter has nine sections. Section 4.2 discusses the qualitative research design developed for this study. Sections 4.3 and 4.4 discuss the research strategy and the research process. Sections 4.5 and 4.6 provide discussions on selecting the participants and the data collection methods. Section 4.7 provides information about the participants who took part in the study. Sections 4.8 and 4.9 discuss the data analysis and research limitations, and finally, Section 4.10 provides the conclusion for the Chapter.

4.2 Philosophical underpinnings

This study explores the corporate governance practices of the Solomon Islands and investigates the influence of the *wantok* system on these practices. To ensure a robust and comprehensive investigation, it is essential to address the underlying ontological and epistemological perspectives that shape the research design and interpretation of findings.

Ontology 'helps researchers recognise how certain they can be about the (nature and existence of) objects they are researching. For instance, what truth claims can a researcher make about reality? Who decides the legitimacy of what is 'real'? How do researchers deal with different and conflicting ideas of reality?' (Moon & Blackman 2014, p. 1170). Ontologically, this study adopts a constructivist viewpoint, recognising that reality is socially constructed through human interactions, culture, and contextual factors. From the ontological stance, the researcher acknowledges that corporate governance practices and the influence of the *wantok* system are multifaceted and influenced by subjective interpretations and social

dynamics. The study explores the diverse perspectives and nuanced understandings of these phenomena within the cultural context of the Solomon Islands SOEs.

On the other hand, Moon and Blackman (2014, p. 1171) stated that ‘epistemology is concerned with all aspects of the validity, scope and methods of acquiring knowledge, such as with what constitutes a knowledge claim; how knowledge can be produced or acquired; and how the extent of its accountability can be determined. Epistemology is important to conservation science because it influences how researchers frame their research in their attempts to discover knowledge’. Epistemologically, this study aligns with an interpretivist paradigm, which emphasises the importance of subjective understanding and meaning-making. The researcher recognises that knowledge about corporate governance practices and the influence of *wantok* system is co-created through interactions between the researcher and the participants. By adopting this epistemological perspective, the study uncovers the subjective meanings attributed to these phenomena and provides a deeper understanding of the underlying dynamics and complexities.

To address these ontological and epistemological considerations, a mixed methods research design has been chosen. Dawadi et al. (2021) stated that mixed-methods research (MMR) is a research methodology that incorporates multiple methods to address research questions in an appropriate and principled manner. This design allows for the bringing together of quantitative data to capture the extent of the *wantok* system’s influence on the corporate governance practices, with the qualitative data that explores the subjective experiences and perceptions of key stakeholders regarding the influence of the *wantok* system.

Quantitative data was collected through a questionnaire survey to determine the extent of *wantok* system influence on the corporate governance practices of the SOEs. Post-positivism acknowledges the importance of objectivity in research while recognising the influence of subjective interpretations and context (Dawadi et al. 2021). This aligns well with combining quantitative research which focuses on objective measurements and qualitative research data which explores subjective experiences and meanings are gathered through interviews.

Other potential data gathering tools that were not included in the study include document reviews and observations. Reviewing documents would not provide the depth of insight required, the questionnaire supplemented the interviews and was a successful approach to collecting data as it was undertaken by the same participants who were interviewed. Due to the possible sensitive nature of the research, it was not expected that a questionnaire alone would

achieve a desired response rate, nor would it be able to achieve the insights gained from the interviews. Observations are difficult due to ethics requirements and would have met resistance from participants.

Due to the time frame for data collection, the quantitative and qualitative data was brought together to enhance the richness and depth of the research findings (Guetterman et al. 2015). It allows for triangulation, where different data sources lead to a more nuanced analysis. Combining quantitative measures to capture the extent of the *wantok* system influence and qualitative insights to explore the underlying meanings and cultural dynamics, the study can provide a well-rounded understanding of the influence of the *wantok* system on corporate governance practices in the Solomon Islands.

By adopting a social constructivist ontological stance and an interpretivist epistemological perspective, this research seeks to provide an understanding of the corporate governance practices of Solomon Islands SOEs and the *wantok* system's influence. In the case of this study, the extent of the *wantok* system influence on the corporate governance practices of the Solomon Islands SOEs requires quantitative data. The need to explore the *wantok* system's obligations that have the greatest influence on the corporate governance practices, the strategies that can be adopted to strengthen the corporate governance system and the strategies that can be adopted to reorientate the *wantok* system to support the corporate governance practices of the Solomon Islands SOEs require qualitative data. The bringing together of quantitative and qualitative data contributes to a more holistic analysis, shedding light on the complexities and the implications of the *wantok* system influence on the corporate governance practices of the SOEs within the context of the Solomon Islands. The next section discusses the qualitative research.

4.3 Qualitative research

Denzin and Lincoln (2017, p. 43) stated 'that qualitative research is the study of things in the natural setting and seeks to understand and interpret phenomena in terms of the meanings that people bring to them'. Firstly, the research applies a qualitative design as the study needs to explore and understand the *wantok* system influences on the corporate governance practices of the Solomon Islands SOEs.

Secondly, the views and opinions of the participants are gathered and interpreted to gain an understanding of the corporate governance practices that were influenced by the *wantok*

system in the Solomon Islands SOEs. Thirdly, the participants' subjective views on how to strengthen the corporate governance system and reorientate the *wantok* system to support corporate governance practices are gathered and analysed qualitatively. Since there were no prior studies on the *wantok* system influence and corporate governance practices in the Solomon Islands SOEs, qualitative research must be undertaken to answer the research questions of the study. The next section discusses the research strategy for this study.

4.4 Research strategy

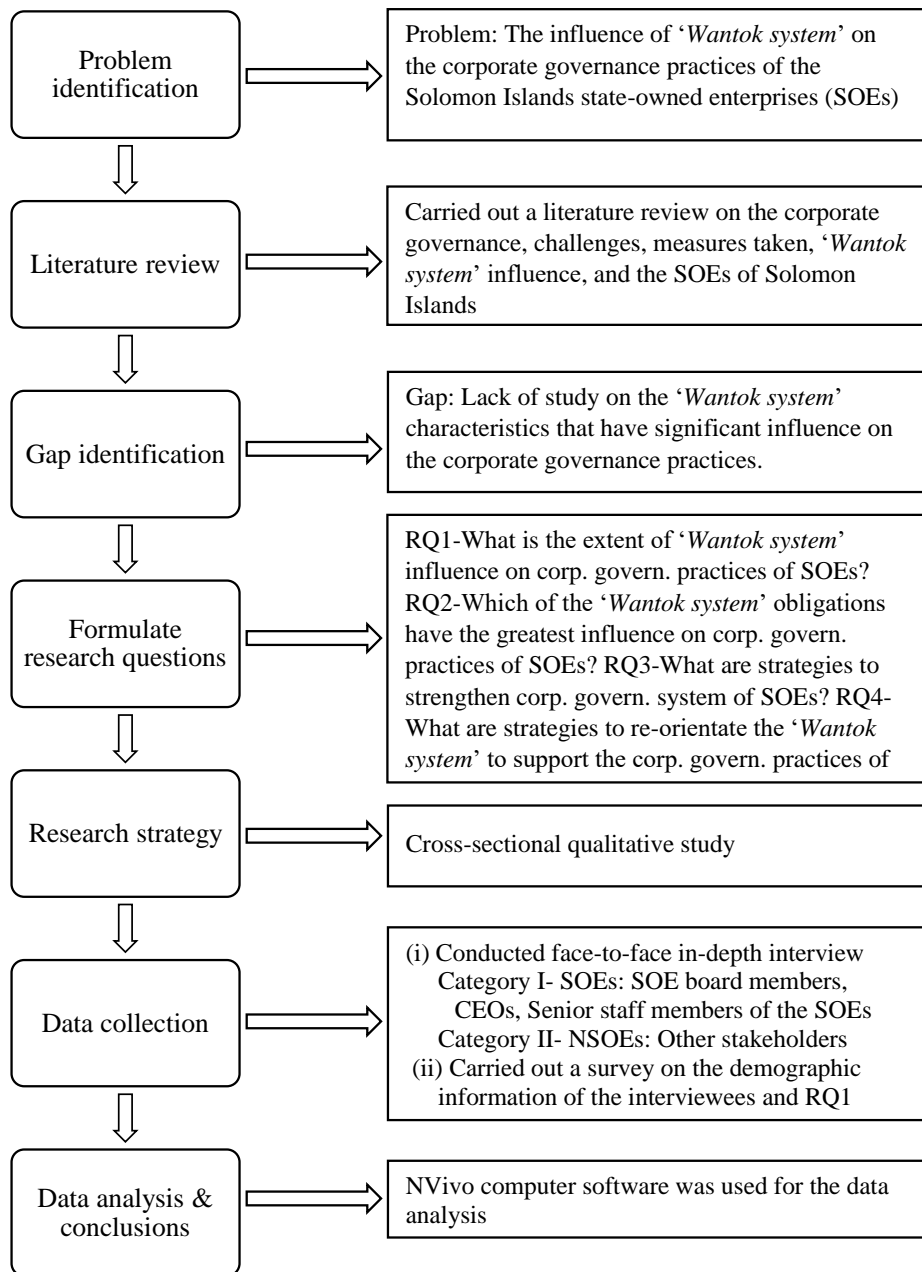
This research adopted a cross-sectional qualitative study approach on the SOEs that are currently operational in the Solomon Islands. Stake (1995, pp. xi-xii) defines case study research as an 'investigation and analysis of a single or collective case, intended to capture the complexity of the object of study'. In this research, the focus was to conduct a cross-sectional study on the different people working in or having an interest in the SOEs, in the various sectors of the Solomon Islands to obtain their views, perceptions, and experiences of the *wantok* system influence on corporate governance practices in the Solomon Islands SOEs, and to suggest the strategies to strengthen the corporate governance system and reorientate the *wantok* system to support corporate governance practices of the Solomon Islands SOEs. All SOEs in the study are in Honiara, the capital of the Solomon Islands. The research process for the study is discussed in the next section.

4.5 Research process

The study was carried out within the research process framework design in Figure 7 on the next page. The research process started with problem identification, the influence of the *wantok* system on the corporate governance practices of the Solomon Islands SOEs, followed by a literature review on corporate governance and challenges, the *wantok* system influence, the identification of the literature gap, the lack of study on the *wantok* system influence on corporate governance practices of the Solomon Islands SOEs. The next task in the process was to develop the research questions. The research questions identified for the study were: (RQ1) What is the extent of *wantok* system influence on the corporate governance practices of the Solomon Islands SOEs? (RQ2) Which of the *wantok* system obligations have the greatest influence on the corporate governance practices of the Solomon Islands SOEs? (RQ3) What

strategies can be adopted to strengthen the corporate governance system of the Solomon Islands SOEs? (RQ4) What strategies can be adopted to reorientate the *wantok* system to support the corporate governance practices of the Solomon Islands SOEs? (RQ4).

Figure 7: Research process



Source: Neuman (2014, p. 21) modified by Iyabora (2022)

As discussed in Section 4.3, the study used a cross-sectional qualitative approach to answer the research questions of the study. In-depth face-to-face interviews and a questionnaire

were used as the data collection tools for the study. The data collected were stored and analysed qualitatively through the NVivo software. The next section discusses the selection of the participants for this study.

4.6 Selecting the participants

The participants in a qualitative study are often smaller in number because of the depth of information and the variation in experiences of the participants. The appropriate number of interviews for a qualitative study, therefore, is deemed to be when the saturation point is reached. Saturation has been defined as the point at which no new ideas emerge or when newly collected data is redundant with previously collected data (Maykut & Morehouse 1994, p. 58). Maykut & Morehouse (1994) quoted Douglas (1985) stating that in-depth interviews with twenty-five people were necessary before reaching the saturation point. Dworkin (2012, p. 1320) further provided ‘The minimum sample size required for a qualitative study to reach a saturation point to be between 25 to 30 participants.’ The number of participants for this study, drawing on the work of Dworkin (2012), is thirty participants. The selection of participants was purposeful and issue-specific to understand the research problem and the research questions to the specific situation and context of the Solomon Islands SOEs.

Purposeful or purposive sampling is a non-random sampling technique which involves selecting participants for a study based on specific characteristics or qualities that align with the research objectives (Luborsky & Rubinstein 1995). This technique allows researchers to intentionally target individuals who possess the desired knowledge, expertise and experiences relevant to the research topic. Creswell and Creswell (2023) highlights the significance of purposive sampling in qualitative research. The author suggests that purposive sampling enables researchers to gather rich-information data from participants who are knowledgeable about the phenomenon being studied. Furthermore, this technique is valuable when researchers seek to capture the perspectives and experiences of specific groups or individuals who possess unique knowledge or characteristics.

The selection of the participants for this study was based on the following two categories:

- (1) Participants who were involved directly in the operation of the SOEs. For example, the board members, the CEOs, and the senior staff members of the SOEs. The selection was based on their in-depth knowledge and experience in the SOEs.

- (2) Participants who were not involved directly with the SOEs but were important stakeholders of the SOEs. These participants were from the public service, professional practice, academia, business and civil society.

The selection of the participants from the SOEs provided different perspectives on the issue under study from the other SOE stakeholders (Creswell & Creswell 2023).

Initially, the proposed number of interviewees was 30, consisting of 14 participants who were related directly to the operation of the SOEs and 16 participants from other SOE stakeholders. Prior to contacting the participants, a list of names known to the researcher was prepared. All the participants were known to the researcher since he had been involved previously in various sectors of the country, through work engagements and being a member of different committees in the public sector, private sector, and civil society.

Next, the researcher identified the office telephone contacts for each participant under their respective employer or company names listed in the Solomon Telekom Telephone Directory book. The researcher made initial contact with the participants by phone and arranged for brief meetings on dates, times and venues preferred by the participants. Follow-up emails to thank the participants for the brief tele-conversation, and to confirm the first initial face-to-face meetings were sent immediately after the phone calls. The next section discusses the data collection methods used for the study.

4.7 Data collection methods

Interviews and survey questionnaires were the two primary data collection methods used for this study. Section 4.6.1 discusses the survey methodology, followed by the interview methodology in Section 4.6.2.

4.7.1 Survey methodology

Survey is a data collection tool for generating data in research. Pinsonneault and Kraemer (1993, p. 2) defined a survey as ‘a means of gathering information about the characteristics, actions, or opinions of a large group of people’. Salant and Dillman (1994, p. 35) stated that ‘the choice of survey medium is depended on the resources that are available’, for example, written surveys, verbal surveys, or ‘mixed mode surveys that combine survey media’ (Glasow 2005, pp. 2-5). This study used the online survey questionnaire to capture the participants’ demographic data information and the data for Research Question one (RQ1): What is the

extent of *wantok* system influence on the corporate governance practices of the Solomon Islands SOEs?

The reason for using an online questionnaire was the ease of compiling and analysing the data collected. In addition, the participants preferred an online survey to a paper survey. The next section covers the preparation of the survey.

4.7.1.1 Preparing the questionnaire

The first task in preparing the questionnaire was the design and determining the relevant demographic information required from the participants. The demographic information included occupation, age group, gender, number of years in the current occupation, religion/church, province of origin, highest education/qualification attained, year completed the highest education/qualification, specialised field of study, and other professional qualifications. The first question of the questionnaire was to gain the participants' demographic information.

The second task was to design the Likert scale questions for RQ1. This process was to find the extent of *wantok* system influence on the corporate governance practices of the Solomon Islands SOEs. The survey questionnaire used the following four corporate governance practices in the Solomon Islands SOEs: (1) recruitment practices, (2) appointment of the board of directors, (3) awarding contracts, and (4) fair treatment of customers. These four corporate governance practices were extracted from the SOE Act 2007 as identified in Section 3.8.2 in the previous chapter.

The questionnaire asked the participants' responses on the extent of the *wantok* system's influence on each of these four corporate governance practices by selecting from a very small extent to a very large extent on the Likert scale. The final question was open-ended and asked the participants to provide any other comments that could be useful for the study.

Upon the completion of the draft questionnaire, a copy of the survey questionnaire form was sent to the supervisors at the University of Southern Queensland (UniSQ) for checking and endorsement. The next task in preparing the survey was to create the online questionnaire through UniSQ surveys, a UniSQ platform for creating and distributing online surveys for data collection and analysis. The supervisors at UniSQ were given the opportunity to do a test run of the online survey questionnaire before the link was issued to the participants. The questionnaire is provided in Appendix D.

4.7.1.2 Administering the questionnaire

The online questionnaire link was given to the participants at the end of the first round of face-to-face meetings with each participant. The participants were asked to complete the online questionnaire before their next interview meeting date. On the interview meeting date for each participant, the researcher asked for the completion of the questionnaire. In almost all cases, the participants completed the questionnaire either on the same date or a day following the first round of the face-to-face meetings.

The questionnaire was available for four months, from August to November 2021. At the closure of the questionnaire, the data was extracted from the UniSQ online survey tool (internet) to a Microsoft Excel spreadsheet for analysis.

4.7.2 Interview methodology

In qualitative research, interviews are the most common form of data collection. Oakley (1998) stated that the qualitative interview is a type of framework in which practices and standards were not only recorded but also achieved, challenged as well as reinforced. It is argued that interviews are the most common and powerful way in which one tries to understand human beings (Bryman & Cassell 2006).

Generally, qualitative research interviews are either semi-structured or in-depth. In-depth interviews are based on the semi-structured interview guide. The interview guide is a schematic presentation of questions that needs to be explored by the interviewer. This type of interview is usually conducted once only with a participant or a group and generally covers a duration of 30 minutes to more than an hour (Crabtree & DiCicco-Bloom 2006, p. 315).

In-depth interviews were used to gather relevant data relating to *wantok* system influence on corporate governance practices of the Solomon Islands SOEs. The questions in the interview guide were open-ended questions related to the research questions of the study (Creswell & Creswell 2023). The open-ended questions are outlined in Appendix E and discussed in Section 4.7.2.1.

Recording the interviews was considered essential as the hand-written notes during the interview might miss important points. Also, the recording allows the researcher to focus on the interview content. The next section covers the preparation of the interview guide which was used to gather data for this study.

4.7.2.1 Preparing the interview guide

The first task involved in preparing the interview guide was to draw up the questions that addressed the research questions of the study. The interview questions were then reorganised under the five obligations of the *wantok* system as identified by Renzio (2000, pp. 21-2) and re-quoted by Nanau (2011, p. 32).

The interview guide has five questions as per Appendix E. The first part of the interview guide was a brief introduction by the researcher, followed by the purpose of the interview, a brief explanation of how the interview would be conducted, the expected duration, and the assurance of confidentiality on the information gathered through the interview. An opportunity was given for the participant to ask questions at the end of the interview. Following the researcher's brief introduction and comments, the participant was given the opportunity to introduce himself/herself before the interview commenced. The interviews were organised in this way to facilitate building rapport and placing the participants at ease.

The first two questions of the interview guide related to SRQ2: Which of the *wantok* system obligations have the greatest influence on the corporate governance practices of the Solomon Islands SOEs? The first question of the interview guide asked the participants to discuss each of the five (5) *wantok* system obligations and how they influenced the practices in the SOEs. The five (5) *wantok* system obligations are identified in Section 2.12 of Chapter 2 and include: (i) common language, (ii) common kinship group, (iii) common geographical area of origin, (iv) common social associations or religious groups, (v) common belief in the principle of mutual reciprocity. For the current study, these five *wantok* system obligations will be referred to throughout the thesis as follows: (i) language, (ii) kinship, (iii) geographical area of origin, (iv) social associations or religious groups, and (v) mutual reciprocity.

The second question asked the participants which *wantok* system obligation they believed had the greatest influence on the four (4) corporate governance practices of the Solomon Islands SOEs identified in Section 2,12 of Chapter 2. The third question sought the participants' responses on what strategies can be taken to strengthen the corporate governance system of the Solomon Islands SOEs. The fourth question sought the participants' opinions on what strategies can be adopted to reorientate the *wantok* system to support corporate governance practices of the Solomon Islands SOEs. The interview guide closed with question five, asking the participants to provide any comments that should be useful for the study.

The same set of questions in the interview guidelines were used for the two groups to obtain the views, perceptions, and experiences of the different people across the various sectors of the country. Secondly, the practice of the *wantok* system is not uncommon in the public sector, private sector, and civil society. Thirdly, the influence of the *wantok* system is common to all the people in the Solomon Islands.

4.7.2.2 *The interview process*

The interview process started with the preparation of an interview list based on the selected participants identified and discussed in Section 4.5 (Selecting the participants) with each participant's contact details, followed by a process of contacting the participants for a brief meeting at a date, time and venue which was convenient to each participant. Conducting interviews at a venue where the participants were more comfortable enhances the likelihood of richer and in-depth responses for analysis (Patton 2002).

The planned task for making initial appointments followed a sequencing process: Firstly, the researcher contacted the CEOs of the SOEs for the preliminary meetings, followed by contacts with the senior staff of the SOEs. The next group contacted were the board members of the SOEs. The arrangements for the first round of meetings were scheduled for the first set of participants – the participants who were directly related to the operations of the SOEs. The first set of participants were the CEOs, senior staff, and board members of the SOEs - categorised as the SOEs.

The second set of participants was other SOE stakeholders (categorised as NSOEs) which included participants from the public service the private sector (practising accountant, academics, business entrepreneur), and civil society. The same process for making preliminary appointments and meetings with the first set of participants (SOEs) was repeated for the second set. The process for making preliminary appointments and meetings for the second set of participants (NSOEs – other SOE stakeholders) started in the week following the completion of the interviews with the selected board members of the SOEs.

The first round of meetings was purposely very brief and introductory in nature to meet the participants in person and introduce the researcher and his role in the study, and how each participant's role was important for the successful completion of the study. In other words, this was to build a good rapport with the participants (Creswell & Creswell 2023). The majority of the participants were highly esteemed individuals from different backgrounds and with high

levels of expertise. Therefore, initial meetings and appointments for interviews were conducted with deep respect for each participant and adherence to protocols.

During the first round of meetings, the participants were asked to propose a date, time and venue for the next meeting which was the actual interview meeting. A copy of the consent form was signed and returned to the researcher as evidence of consent for the interview (see Appendix G1 – for taking part in completing the questionnaires and G2 – for taking part in the interviews). At the same time, a copy of the participant's information handout (see Appendix F) was given to the participant to acquaint himself/herself with the study, especially in preparing for the next scheduled meeting. The researcher went through this same process with all the participants in his first round of meetings. The duration of these initial meetings was between 5 and 10 minutes.

The second round of meetings was for the actual interview. The interviews were conducted on the date, time and venue agreed on during the first round of meetings with each participant. The interview guide questions were sent to the participants a few days earlier to allow them to prepare for the interview. Prior to the actual interview on the interview date, the participant was given another opportunity to glance over the interview guide questions for any further questions from the participant before the interview started.

The interviews commenced with a brief introduction by the researcher, followed by words of welcome and acknowledgement of the participants' availability and willingness to participate in the study. Next, the researcher briefly highlighted the purpose of the interview, provided a brief explanation of how the interview would be conducted, the expected duration of the interview, and gave the assurance of confidentiality on the information gathered through the interviews. The researcher reminded the participants again about the permission (in the signed consent form) to audio record the interviews. After the researcher's brief comments, the participants were asked to provide a brief background summary of themselves.

The interview, based on the interview questions, started after a brief outline of the interview questions was presented by the researcher, and invitations were made for the participants to respond and provide their answers to each question based on their own opinions and experiences. Participants were asked to provide examples to illustrate their experiences. The interviews concluded with words of thanks and appreciation to the participants for their time and participation in the study. The interview sessions were between thirty minutes and one hour in length.

The preliminary meetings and the interview process were conducted over a period of four months in Honiara, Solomon Islands during the months of August to November 2021.

4.7.2.3 Recording of the interviews

All interviews for the study were audio recorded. Audio recording of the interviews for this study was considered essential as hand-written notes during the interview might miss some key points while trying to focus on the interview contents. The benefit of audio recording provided a permanent medium for playback as often as desired. Fernandez and Griffiths (2007) stated that recording compared to note taking significantly reduced the likelihood of misinterpretation of responses during the data analysis as everything said was recorded. In the context of this study, audio recording was very important and beneficial to verify and extract the authentic expression and contextual meaning in the answers given during the interview since verbal responses were done both in English and Pidgin English.

4.7.2.4 Transcribing of interviews

The transcribing process started by converting all the audio files to text by using Microsoft 365 software. All the audio files were converted verbatim. The next step was to listen to the audio recordings along with the newly audio-converted text documents and make corrections and editions where necessary as some of the spoken words were not the same as those of the audio-converted text. These differences were obvious because most of the interview answers contained responses that were spoken in English and Pidgin English languages. The next step in the process was to copy the edited and verified answers to the transcribed document template created for each participant under each respective question corresponding to the questions outlined in the interview questions guide. To ensure the process is robust enough, the researcher secured the services of a transcriber to do the transcribing work according to the process discussed. Upon the completion of transcribing the work, the researcher went through the process of listening to the audio with the transcribed documents to ensure that the answers provided by the participants were correctly recorded in the final transcribed documents²². These checks were in preparation for the next step, to import the transcribed documents including the audio files into the NVivo software for data analysis. The transcribing work commenced in March and was completed by the end of May 2021.

²² The transcribing carried out was from Pidgin English to English. All words used in the Solomon Islands Pidgin English were rooted in the English words. Therefore, there was no ‘translation back’ in the transcribing process.

4.8 Participants who took part in the study

A total of 32 participants took part in the study during the field research work in Honiara, Solomon Islands. Table 10 below provides the demographic information of the participants.

Table 10: Participants' demographic information

<i>SOE Group</i>				<i>NSOE Group</i>			
ID	Gender	Occupation	Sector	ID	Gender	Occupation	Sector
PS1	Male	Board member	SOE	PN1	Male	Senior public servant	Public service
PS2	Male	Board member	SOE	PN2	Male	Senior public servant	Public service
PS3	Male	Board member	SOE	PN3	Female	Senior public servant	Public service
PS4	Male	Board member	SOE	PN4	Female	Senior public servant	Public service
PS5	Male	Board member	SOE	PN5	Male	Practising accountant	Private sector
PS6	Male	CEO	SOE	PN6	Male	Business entrepreneur	Private sector
PS7	Male	CEO	SOE	PN7	Male	Director	Academic Institution
PS8	Male	CEO	SOE	PN8	Male	Senior staff	Academic Institution
PS9	Male	CEO	SOE	PN9	Male	Senior staff	Academic Institution
PS10	Male	CEO	SOE	PN10	Male	Director	NGO
PS11	Female	Senior management staff	SOE	PN11	Male	Manager	NGO
PS12	Male	Senior management staff	SOE	PN12	Female	CEO	NGO
PS13	Male	Senior management staff	SOE	PN13	Male	Senior public servant	Public service
PS14	Female	Senior management staff	SOE	PN14	Male	Senior public servant	Public service
PS15	Male	Senior management staff	SOE	PN15	Male	Senior public servant	Public service
PS16	Female	Senior management staff	SOE	PN16	Male	Senior public servant	Public service

There were two participant groups: (i) SOE Group – those employed in the SOEs and (ii) NSOE Group - those employed in non-state-owned enterprises (NSOEs). SOE participants were senior employees of SOEs and included board members, CEOs and senior management staff. NSOE participants included senior government officers, a professional accountant, a private entrepreneur, academic staff, and the CEO, director and office manager of the civil society groups.

Twenty-six individual interviews and three focus groups of two participants were selected for the study. The initial proposed number of interviewees was 30. The additional two participants were from the SOE Group. This was to maintain a balance of participants with the NSOE group (other SOE stakeholders) with a total number of 16 participants.

The participants from the seven SOEs out of the eleven SOEs owned by the government took part in the study. From the 16 participants of the SOE Group, five participants were board members, five participants were CEOs and the remaining six participants were senior managers in the SOEs. Currently, the SOEs can be categorised as large, medium and smaller SOEs. The study included all three of the larger SOEs, two from the medium SOEs and two from the

smaller SOEs. The participants from the three large SOEs consisted of one board member, one CEO and one senior management staff. The participants from the two medium SOEs consisted of one board member and one CEO. The participants from the three smaller SOEs consisted of one senior management staff member from each who was acting in the CEO role since the substantive CEOs were on leave during the period of study.

In summary, there was a total of nine participants for the three larger SOEs, a total of four for the two medium SOEs and a total of three participants for the remaining smaller SOEs. The total number of participants was up to 16 from the SOEs who provided valuable information and data for the current study.

4.9 Data analysis

4.9.1 Using the computer software

The data collected from the questionnaire related to the participants' demographic information and RQ1: What is the extent of the *wantok* system's influence on the corporate governance practices of the Solomon Islands SOEs? The questionnaire data was extracted from the UniSQ online survey (internet) to Microsoft Excel software. Next, the spreadsheet was checked and formatted for NVivo software importation. The last question on the questionnaire was open-ended and this was coded following the same protocols for coding the interview data that are described in Step 3 coding.

NVivo software was used for storing the research data and to assist in facilitating the qualitative data analysis. This study used the NVivo software Release 1.6 (Released in March 2020). The NVivo Release 1.6 is the newer version of the NVivo 12. NVivo Release 1.6 has not yet been widely cited as compared to the NVivo 12 but has been used and widely cited in many NVivo instructions and guides (Bazeley & Jackson 2013; O'Neill 2013).

Prior to discussing the steps in the data analysis, it is important to understand some of the basic changes with the latest version of the NVivo to avoid confusion with the terms used, and the discussions on the sections and folders in the latest version. Some of the changes in the latest version of the NVivo include the terms used, for example, 'node' which was used in the NVivo 12. In the NVivo Release 1.6, the 'code' is used in place of 'node'. The navigation panel in NVivo Release 1.6 is organised slightly differently from the NVivo 12 software. For example, under the NVivo Release 1.6, there are three main sections in the Navigation panel:

(i) Import, (ii) Organise, and (iii) Explore, as compared to (i) Data, (ii) Codes, (iii) Cases, (iv) Notes, (v) Search, (vi) Maps, and (v) Output in the NVivo 12.

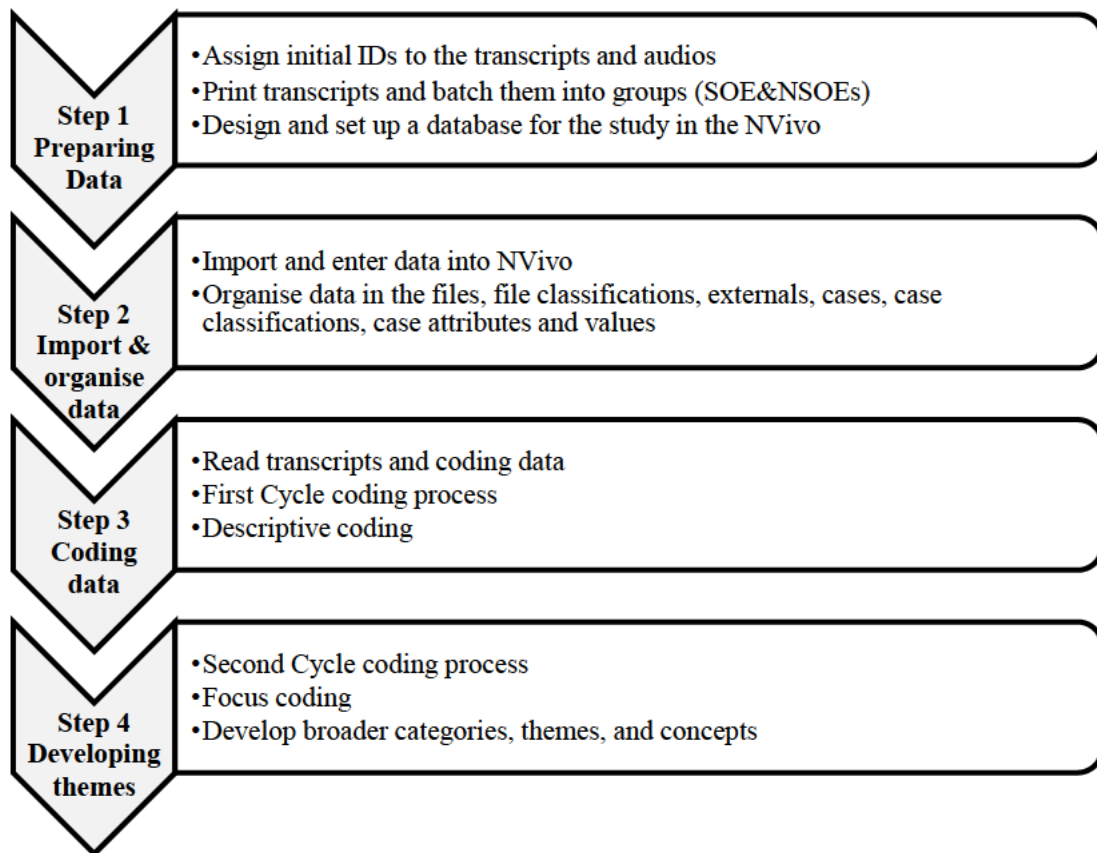
In the latest version (NVivo Release 1.6), these many folders (in the NVivo 12) are re-arranged and placed under the three main sections in the navigation panel. In the first section, the Import section caters for all data imports and data entries under the Files, File Classifications and Externals folders. For example, interviews, surveys, literature, etc. which can be imported are stored in their respective sub-folders under the Files folder. The attributes and the values of the imported files are stored in the File Classifications folder. The Externals are used to store proxy documents that could not be imported. The second section, the Organise section, caters for the coding, cases and case classifications, notes which include the memos, and collections of project items' static and dynamic sets that are manually created. The third section, the Explore section consists of the queries recorded from the searches made, visualisations which include the maps, and finally, the Reports which stores the summary outputs of the project information.

The changes in the latest version of the NVivo are important to note since the previous articles referred to NVivo 12 which is no longer in use by many researchers as it has been replaced by the latest version – NVivo Release 1.6. Consequently, the terms and explanations provided in this study based on the changes may differ slightly to those that were used in the explanations of the sections/folders in the navigation panel of the NVivo 12 version. The understanding of these changes is helpful when going through the four steps of data analysis using NVivo in the study.

Data analysis steps

This study used the four-step data analysis in Figure 8 on the next page to analyse the data collected from the thirty-two participants. Step 1 involved the preparation of the data, Step 2 involved importing and organising data in the NVivo, Step 3 relates to coding the data, and Step 4 was the development of categories and themes for the study. Detailed discussions on the four steps are provided on the next page.

Figure 8: Data Analysis Steps



Source: Adu (2019) modified by Iyabora (2022)]

Step 1 – Preparing data

Step 1 in the data analysis process involved preparation the data. The first task under this Step was assigning Identification Numbers (IDs) to transcripts and audio recordings. The numbering of the IDs was organised in two categories: (i) PS1 to PS16 were allocated to the participants who were related directly to the SOEs. For example, the SOE board members, SOE CEOs, and the senior staff of the SOEs. (ii) PN1 to PN16 were allocated to the participants from other stakeholders of the SOEs. The other SOE stakeholders included participants from the public sector (senior public service officers), private sector (practising accountant, academics, business entrepreneur), and civil society representatives. Each participant has the same corresponding ID number from the transcript on his/her audio recording for reference and traceability purposes. The final task for this step was to design and set up the database for the study in the NVivo software.

Step 2 – Import and organise data

Step 2 involved (i) importing and (ii) organising the data in the NVivo software.

(i) Importing data

The first task under Step 2 was to import data into NVivo. This task included importing interview transcripts, audio recordings, participant demographics, field notes, ethics approval, and so on (O'Neill 2013). The Import section in NVivo consists of sub-folders: (a) Files, (b) File classifications, and (c) the Externals under the Data category/folder.

(a) Files

All the imported research data or information were stored under their respective sub-folders created in the Files folder. For this study, all the Interview transcripts and the audio files were stored under the Interviews folder created under the Files folder. The demographic information of the participants gathered through the survey was stored under the Survey sub-folder in the Files folder. Other research materials such as the relevant literature from the endnote program were also stored under the Literature folder.

(b) File Classifications

The attributes and values of each participant were classified under a sub-folder created and called the “Interview”. This distinguished it from the file classifications of the attributes and values for other documents such as books, journal articles, and other documents. For example, the attributes for the journal articles included the author, year, title, journal, volume, and so on. The values for these attributes would be the name of the author, year published, title of the article, name of the journal, number of the volume, and so on. For this study, the attributes and the values of the participants were stored under the folder “Interview”. The six attributes created for the participants under the Files folder were (i) ID, (ii) Category (SOE/NSOE), (iii) Unit groupings (position), (iv) Sector, (v) interview mode, and (vi) interviewer. Table 11 and Table 12 on the next page show the six attributes (in the headings of the six columns) with the values identified under the six headings and against each participant in the SOE and the NSOE categories respectively.

Table 11: File classification attributes and values for the SOE participants

ID	Category	Unit Groupings	Sector	Interview	
				Category	Interviewer
PS1	SOE	SOE Board	SOE	Individual	Researcher
PS2	SOE	SOE Board	SOE	Individual	Researcher
PS3	SOE	SOE Board	SOE	Individual	Researcher
PS4	SOE	SOE Board	SOE	Individual	Researcher
PS5	SOE	SOE Board	SOE	Individual	Researcher
PS6	SOE	SOE CEO	SOE	Individual	Researcher
PS7	SOE	SOE CEO	SOE	Individual	Researcher
PS8	SOE	SOE CEO	SOE	Individual	Researcher
PS9	SOE	SOE CEO	SOE	Individual	Researcher
PS10	SOE	SOE CEO	SOE	Individual	Researcher
PS11	SOE	SOE Senior Staff	SOE	Individual	Researcher
PS12	SOE	SOE Senior Staff	SOE	Individual	Researcher
PS13	SOE	SOE Senior Staff	SOE	Individual	Researcher
PS14	SOE	SOE Senior Staff	SOE	Individual	Researcher
PS15	SOE	SOE Senior Staff	SOE	Focus Group	Researcher
PS16	SOE	SOE Senior Staff	SOE	Focus Group	Researcher

Table 12: File classification attributes and values for the NSOE participants

ID	Category	Unit Groupings	Sector	Interview	
				Category	Interviewer
PN1	NSOE	Public Service	Public Sector	Individual	Researcher
PN2	NSOE	Public Service	Public Sector	Individual	Researcher
PN3	NSOE	Public Service	Public Sector	Individual	Researcher
PN4	NSOE	Public Service	Public Sector	Individual	Researcher
PN5	NSOE	Accounting Practitioner	Private Sector	Individual	Researcher
PN6	NSOE	Business Entrepreneur	Private Sector	Individual	Researcher
PN7	NSOE	Academic ²³	Private Sector	Individual	Researcher
PN8	NSOE	Academic	Private Sector	Individual	Researcher
PN9	NSOE	Academic	Private Sector	Individual	Researcher
PN10	NSOE	Civil Society	Civil Society	Individual	Researcher
PN11	NSOE	Civil Society	Civil Society	Individual	Researcher
PN12	NSOE	Civil Society	Civil Society	Individual	Researcher
PN13	NSOE	Public Service	Public Sector	Focus Grp	Researcher
PN14	NSOE	Public Service	Public Sector	Focus Grp	Researcher
PN15	NSOE	Public Service	Public Sector	Focus Grp	Researcher
PN16	NSOE	Public Service	Public Sector	Focus Grp	Researcher

(c) *Externals*

²³ All academics were employees of the Solomon Islands National University

Externals are proxy notes, texts, or documents to represent research materials that cannot be imported into NVivo. Bazeley and Jackson (2013) stated that these documents could include diaries, early research journals which are not available electronically, and documents that are too large for importing into NVivo. Creating externals in NVivo indicates the existence of the source, and provides an opportunity to code, annotate or link numbered references for that source. For this study, the externals were created for book references that were not available electronically.

(ii) Organising data

The Organise section of NVivo consists of coding, cases, case classifications, attributes, and values. Coding will be discussed in the next step, Step 3 – coding data.

Cases, case classifications, attributes, and values

NVivo treated each participant as a case with their corresponding interview and questionnaire files. Bazeley and Jackson (2013, p. 52) stated that ‘a case is a core structural element in NVivo. Each case unites all the different components of the data about the participant coded responses in one place.’

For this study, all the coded responses from the interview transcripts for the participants were stored in the Interviews sub-folder under the Cases folder. The demographic information of the participants was created and stored in the Case Classifications under the folder ‘Person’ It is important to note that the original questionnaire data was stored in the Survey folder under the Files folder. The purpose of creating the demographic information under the cases and case classification was for the grouping and analysing of the attributes and values of the participants. Bazeley and Jackson (2013) stated that NVivo’s classification system makes it possible to attach unique attributes to the different types of cases or participants.

The different types of attributes created for the cases (participants) were ID, gender, age group, qualifications, occupation, number of years in the current position, unit groupings, province of origin, religion, sector, category groupings, and interview mode. Table 13 and Table 14 on pages 95 and 96 show the case classification attributes and the attribute values for the SOE and the NSOE participants. Note that Table 13 and Table 14 show only some of the attributes and values for the SOE and NSOE participants to demonstrate how the values are associated with the attributes, and how the attributes are associated with the case classifications (Bazeley & Jackson 2013).

Table 13: Case classification attributes and values for the SOE participants

ID	Gender	Age group	Qualifications	Occupation	Years in current occupation
PS1	Male	40 - 49 yrs	Master's Degree	Board Member	1 - 5 years
PS2	Male	60 yrs & above	Bachelor's Degree	Board Member	11 - 15 years
PS3	Male	50 - 59 yrs	Master's Degree	Board Member	6 - 10 years
PS4	Male	50 - 59 yrs	Master's Degree	Board Member	6 - 10 years
PS5	Male	50 - 59 yrs	Doctoral Degree	Board Member	1 - 5 years
PS6	Male	50 - 59 yrs	Bachelor's Degree	CEO	6 - 10 years
PS7	Male	40 - 49 yrs	Master's Degree	CEO	Less than one year
PS8	Male	40 - 49 yrs	Master's Degree	CEO	1 - 5 years
PS9	Male	60 yrs & above	Bachelor's Degree	CEO	Less than one year
PS10	Male	40 - 49 yrs	Bachelor's Degree	CEO	1 - 5 years
PS11	Female	40 - 49 yrs	Bachelor's Degree	Finance Manager	1 - 5 years
PS12	Male	50 - 59 yrs	Bachelor's Degree	CEO (Ag)	16 - 20 years
PS13	Male	50 - 59 yrs	Bachelor's Degree	Corporate Services Manager	11 - 15 years
PS14	Female	40 - 49 yrs	Postgraduate Degree	Corporate Services Manager	Less than one year
PS15	Male	50 - 59 yrs	Postgraduate Degree	Corporate Services Manager	16 - 20 years
PS16	Female	50 - 59 yrs	Postgraduate Degree	Board Secretary	11 - 15 years

Table 14: Case classification attributes and values for the NSOE participants

ID	Gender	Age group	Education	Occupation	Years in current occupation
PN1	Male	50 - 59 yrs	Bachelor's Degree	Senior Government Officer	11 - 15 years
PN2	Male	50 - 59 yrs	Master's Degree	City Clerk	Less than one year
PN3	Female	40 - 49 yrs	Postgraduate Degree	Corporate Services Manager	11 - 15 years
PN4	Female	40 - 49 yrs	Postgraduate Degree	Senior Government Officer	11 - 15 years
PN5	Male	60 yrs & above	Postgraduate Degree	Partner	11 - 15 years
PN6	Male	50 - 59 yrs	Postgraduate Degree	Private Entrepreneur	11 - 15 years
PN7	Male	50 - 59 yrs	Master's Degree	Director	1 - 5 years
PN8	Male	50 - 59 yrs	Postgraduate Degree	Lecturer	11 - 15 years
PN9	Male	50 - 59 yrs	Postgraduate Degree	Corporate Services Officer	16 - 20 years
PN10	Male	50 - 59 yrs	Bachelor's Degree	Director	6 - 10 years
PN11	Male	60 yrs & above	Diploma	Office Manager	1 - 5 years
PN12	Female	60 yrs & above	Master's Degree	CEO	1 - 5 years
PN13	Male	60 yrs & above	Bachelor's Degree	Director	16 - 20 years
PN14	Male	50 - 59 yrs	Bachelor's Degree	Senior Government Officer	16 - 20 years
PN15	Male	50 - 59 yrs	Bachelor's Degree	Director	16 - 20 years
PN16	Male	50 - 59 yrs	Bachelor's Degree	Senior Government Officer	16 - 20 years

Upon completing importing and organising the data, the researcher started the data coding process. The data coding process is discussed in the next section, Step 3 – coding data.

Step 3 – Coding data

Step 3 involved coding the data. First of all, it is important to understand what a code is in qualitative studies. Saldana (2009, p. 3) described a code in a qualitative inquiry as:

A code in qualitative inquiries is a word or short phrase that symbolically assigns a summative, salient, essence-capturing, and/or evocative attribute for a portion of language-based or visual data. The data consists of interview transcripts, participant observation field notes, journals, documents, drawings, artefacts, photographs, video, Internet sites, e-mail correspondence, literature, and so on.

The data for this study were from the interview transcripts and the demographic information obtained through the online questionnaire from the participants.

The coding of the data went through a two-cycle coding process. Saldana (2009) stated that the two-cycle coding processes are called the first-cycle and second-cycle coding methods. The first-cycle coding methods are the processes that happen during the initial coding of data and the method is simple and direct. During the first-cycle coding processes, the data being coded ranges from a single word to a full paragraph to an entire page of text (Saldana 2009, p. 3). This process is referred to as elemental coding. Saldana (2009) designated this coding method as descriptive coding. This is essential groundwork for the second-cycle coding and further analysis and interpretation (Wolcott 1994, p. 55). When codes are applied and reapplied to qualitative data, the process is referred to as codifying – a process that allows data to be ‘segregated, grouped, regrouped and relinked in order to consolidate meaning and explanation’ (Grbich 2007, p. 21).

For this study, the first-cycle coding (descriptive coding) was based on the participants’ responses to the relevant questions in the interview transcripts. Each question was assigned a unique code. This study used a deductive approach and the pre-existing categories which were identified previously from the literature and used in the interview questions were coded as the initial categories. These categories included corporate governance and the *wantok* system.

The next step was to create the categories under the research questions. The first category created for research question one (RQ1) was the extent of the *wantok* system’s influence on corporate governance practices of the Solomon Islands SOEs. This was to capture the participant’s responses to the open-ended question in the questionnaire.

The second category for research question two (RQ2) was the *wantok* system obligation that has the greatest influence on the corporate governance practices of the Solomon Islands SOEs. The sub-categories created under this category to identify the different obligations of

the *wantok* system were: (i) language, (ii) kinship groups, (iii) geographical area of origin, (iv) social associations and religious groups, and (v) mutual reciprocity.

The third category created for research question three (RQ3) was the strategies to strengthen the corporate governance system of the Solomon Islands SOEs. The fourth category created for research question four (RQ4) was the strategies to reorientate the *wantok* system to support corporate governance practices of the Solomon Islands SOEs.

Upon the completion of creating the initial categories and sub-categories, the researcher read the transcripts and carried out the first-cycle coding task on all the transcripts. Saldana (2009) stated:

As you read interview transcripts or other documents that feature participant voices, attune yourself to words and phrases that seem to call for bolding, underlining, italicizing, highlighting, or vocal emphasis if spoken aloud. Their salience may be attributed to such features as impacting nouns, action-oriented verbs, evocative word choices, clever or ironic phrases, similes, and metaphors, etc. If the same words, phrases, or variations thereof are used often by the participant (such as “I don’t know” in the example above), and seem to merit a NVivo Code, apply it.

During the coding process, interesting items were noted, and memos were created detailing participants’ opinions, perceptions, and experiences. Other categories and sub-categories were identified and created during the coding process.

Step 4 - Development of themes

Step 4 involved the development of themes. A thematic analysis approach was chosen for the study. Thematic analysis provides flexibility when interpreting data and allows sorting large data sets into broad themes. King et al. (2019) identify themes as consistent or recurring features of the participant’s experiences and viewpoints. Therefore, the analysis aims to draw out from the interview data themes that should inform and address the key issues and the research questions of the study.

To initiate the process of developing the themes, the researcher progressed with the second cycle of coding using the focus coding method. Focus coding looks for the most common or important codes so that categories can be created from the most significant data (Charmaz 2006, pp. 46, 57). To create a coherent metasynthesis of the data, it is necessary to logically connect facts that at first glance appear unconnected to align one category with another (Morse 1994, p. 25). The second cycle of coding requires analytic skills for classifying, prioritising, integrating, synthesising, abstracting, conceptualising, and theory building.

The goal of second-cycle coding is ‘to develop a sense of categorical, thematic, conceptual, and/or theoretical organisation from your array of first-cycle codes’ (Saldana 2009, p. 207). This coding cycle involved the initial merging of codes, which involved codes being moved, merged, and renamed. The first-cycle codes were re-arranged and reconfigured in the second-cycle coding to provide a smaller and more select list of broader categories, themes, concepts and assertions (Saldana 2009).

For the study, the categories were the major components of the research and the themes identified under these categories were regrouped under common and similar headings based on concepts identified in Section 3.5 of the previous chapter, Chapter 3. The themes identified under each research question were used for the discussion of relevant sections in the next two chapters, the findings chapter, and the discussion chapter.

4.9.2 Triangulation protocols

In qualitative research, one looks for accuracy and alternative explanations which requires discipline. One needs to have protocols that do not rely on mere intuition or good intentions to ‘get it right’. Stake (1995) stated that in a case study, researchers can use one of several protocols to increase confidence in their interpretation and obtain the corroboration needed to demonstrate the commonality of their assertions. Stake (1995) further quoted Denzin (1984) who had identified the following four protocols. Firstly, the data source triangulation: We are looking to see if phenomena or cases remain the same in different times, different spaces, or as persons interact differently. For example, does the same behaviour occur in different settings: in meetings, in conversations, in emails? Data source triangulation is an effort to see if what you observe, and report have the same meaning when found in different situations.

Secondly, the investigator triangulation: having other researchers look at the same scene or phenomenon. On important occasions, it will be useful to have a colleague, a second team member along to observe.

Thirdly, theory triangulation: Choosing co-observers, panellists, or reviewers from alternative theoretical viewpoints since no two investigators ever interpret things entirely the same. To the extent there is agreement on meaning, the interpretation is triangulated. Fourthly, methodological triangulation: comparing data gathered by various methods: observation, interview, document review, and questionnaire. The use of multiple approaches within a single study is likely to illuminate or nullify some extraneous influences.

The study adopted the first protocol, data source triangulation which looks to see if phenomena or cases remain the same at different times, in different spaces, or in different interactions of people. The participants were interviewed on different days, weeks and months, at different venues and spaces, and as individuals. Individuals interact differently in different cases, whether under the SOE or NSOE category. The purpose of grouping the participants into groups under the two categories (SOE and NSOE), and grouping the focus group interviewees separately for thematic analysis in Section 4.7.2, was to achieve this triangulation objective. Furthermore, the participants' responses captured in the questionnaire data about the influences of the five obligations of the *wantok* system were compared to whether these obligations were used as examples provided by participants in the interview data. However, a limitation of this comparison is discussed in sub-section 4.10.

4.9.3 Ensuring the quality of the research

There has been much debate about the quality of qualitative research. Lincoln and Guba (2007) argued that to ensure quality in qualitative research, the following four trustworthiness criteria must be adhered to: credibility, transferability, dependability and confirmability. (Cypress 2017, pp. 257-8) further described the four criteria as follows: (i) Credibility – a prolonged engagement, persistent observation, peer debriefing, triangulation, member checking; (ii) Transferability - purposive sampling must be adopted, thick description and robust data must be maintained; (iii) Dependability – use of overlap methods, a kind of triangulation; (iv) Confirmability – maintaining reflexive journaling and audit trail in a form of documents.

In this study, the quality was assured under the above trustworthy criteria. Firstly, the researcher spent a period of four months with the participants in Honiara, Solomon Islands during his fieldwork. The researcher is from the Solomon Islands and had known all the participants and therefore, had already built trust and rapport with them. Peer debriefings were conducted through meetings and discussions with the members of the research team at UniSQ. Section 4.9.2 discussed the data source triangulation. Secondly, this study adopted a cross-sectional approach and used purposive sampling for the interviews both from the SOEs and other SOE stakeholders in Honiara. The researcher had robust data for this study. Thirdly, dependability was achieved through having an experienced transcriber to transcribe the audio interviews, which were re-checked by the researcher. Fourthly, the researcher used field note

documents as audit trails and maintained reflexive journals during the field research work in Honiara, Solomon Islands.

4.10 Research limitations

No research design or methodology is perfect. There are several limitations to the study. Firstly, the cross-sectional design used in this research has some limitations. The study is limited by the use of reported data gathered during the interviews and the survey. Future research should include observations and content analysis.

Next, the findings of this study may not be generalisable as they represented only the perceptions and experiences of the participants who took part in the study. Nevertheless, this should not prevent other researchers from drawing their own conclusions and relating the findings to other contexts as the study represents an interpretation of real-life experiences and practices.

The other limitation included the notion of 'strangification'. The effort of expressing one's proposal (s) or questions and answers in a language that is understandable to others, purposely for real mutual understanding about the meaning of what is being said in another language (Shen 2008, pp. 116-7). This limitation was minimised as the researcher is fluent in Pidgin English.

Some limitations affected the data collection process. Common to these limitations was the period during which the interviews were conducted, budgetary issues to commence the fieldwork, interviews scheduled with a few of the participants scheduled for the interview did not eventuate, the November 2021 riot that took place in Honiara, and the COVID-19 community transmission in early January 2022. These issues affected the progress of this study.

The preparatory process for the field work started in the months of June and July 2021 during the period when the Solomon Islands government imposed strict measures on the movement of people in and out of Honiara to the Islands in various provinces due to the COVID-19 pandemic. Getting vaccinated, wearing masks, frequent hand sanitising, social distancing (2 metres from another person), and no mass gatherings were part of the practices demanded of the people in Honiara. Entering Government offices, state-owned enterprise offices and other statutory bodies and financial institution offices required a vaccination card before approval was granted for entry. Such measures carried out by the national government restricted free movements as it was during the pre-COVID-19 period in the Solomon Islands.

There was no community transmission of COVID-19 in Honiara, fourteen months after the declaration of the COVID-19 pandemic by the World Health Organisation (WHO) in March 2020 and the State of Public Emergency declared by the national government of the Solomon Islands following the declaration made by WHO in the same month. The national government had worked hard to control and contain the COVID-19 positive cases (from the approved international travellers) in the Quarantine Centres in and around Honiara. Because the national government had control and prevented the spread of COVID-19 in the communities, the COVID-19 protocols were slowly and slightly relaxed in the month of June 2021 following an evaluation done by the Oversight Committee in the Office of Prime Minister and Cabinet of the Solomon Islands, although the State of Public Emergency was still in place.

The researcher planned to commence the preparatory process for the field work much earlier. During the period of the COVID-19 pandemic when money was scarce and most business operations were suspended or closed, the researcher had to resort to seeking short-term employment. The researcher started his preparatory process for the fieldwork in July 2021 and conducted interviews in the months of August to November 2021.

The other challenge was with the intended participants. As Honiara was under a State of Public Emergency and the COVID-19 protocols were still maintained, getting the initial meetings with a few of the intended participants was not possible as they were working from home or away on official duties in the provinces. For example, one of the board members with whom the researcher had a preliminary meeting to set up an interview date had to go to another Provincial Centre on an official board trip a couple of days prior to the interview date. The researcher tried to set up another date but failed due to his heavy travel bookings to other provinces throughout the country promoting the reforms of his SOE. For those participants who were working from home, emails and follow-up calls were made to make the arrangements for initial meetings at a date, time and venue which were convenient to them. Such arrangements took time and effort to organise and prepare for the actual interview and gathering of data.

The riot that took place in Honiara on Wednesday 24 November 2021 further escalated the challenges encountered during the field research period. The rioting resulted in a lot of infrastructure in Honiara being damaged. Burning and looting went on for three days until the Australian Federal Police (AFP) and the military personnel arrived in Honiara on Friday 26 November 2021. The effect of the rioting, burning, and looting saw a number of shops and businesses close their operations during the months of November and December 2021. At the

time, the only priority in peoples' minds was how to survive in Honiara during these two months when most of the Chinese shops that the people in Honiara depended on for food and necessities for survival were burnt down or closed for safety reasons. The aftermath of the riot caused immense pressure to seek items required for survival. These were food, water, power, and fuel/transport to find the basic needs. The national government issued statements asking people to remain in their homes so that the police along with the AFP and the military personnel could carry out their role in restoring law and order. This event affected the progress of the study. It was not possible to contemplate the transcribing task of the audio interviews during the period.

In addition to the challenges faced after the November 2021 riot, another challenge emerged. The national government announced in early January 2021 that the COVID-19 virus had been transmitted into the various communities of Honiara. Understanding the cycle of the COVID-19 virus would mean that the virus might have entered the communities of Honiara in December 2021. The COVID-19 virus created more fears among the people in Honiara because many people unexpectedly died of this virus. This situation occurred only a month after the riot that happened towards the end of November 2021. Shops and business houses closed or suspended their operations again in fear of the COVID-19 virus. The rationing of food and basic supplies as experienced in November 2021 returned in January 2022. The peak of the COVID-19 virus was experienced in the month of February 2022. The researcher was sick with malaria in February 2022 and then with the symptoms of COVID-19 for three weeks. Again, it was not practically possible to do any transcribing work during the month.

Arguably, the other limitation could be that the data may not be generalisable since all the participants were known to the researcher and might have given positive responses to the interview questions. When participants are previously known to the researcher this is seen as both positive and negative. There may be a potential for bias as the researcher's interpretations may be influenced by prior knowledge.

While every effort has been made to minimise bias in the study, it is important to acknowledge the potential influence of researcher bias. A potential bias that warrants consideration is the researcher's relationship as a potential *wantok* of the participants. The researcher has pre-existing personal connections, shared experiences, or implicit biases that could impact the research process and findings. The researcher bias can be in various ways such as a desire to validate or confirm preconceived notions, prioritise certain perspectives or experiences, or inadvertently influence participants' responses. As Creswell (2013, p. 58)

states, 'The researcher's own beliefs and biases can affect the data collection and analysis process'.

Addressing this potential bias requires a heightened level of self-reflection, transparency and adherence to rigorous research practices. By actively reflecting on personal bias, assumptions, and potential influences, the researcher can increase awareness and take steps to minimise the impact of their personal relationship with participants (Finlay & Gough 2008). Furthermore, triangulation, as suggested by Fusch and Ness (2015) can be employed to enhance the credibility and validity of the findings. Incorporating multiple data sources, methods, or perspectives can help mitigate the potential bias stemming from the researcher-participant relationship. For the current study, the participants were able to directly complete the questionnaire without the researcher being present. By comparing and contrasting different sources of information, the researcher can strengthen the objectivity and reliability of the study. By openly acknowledging these limitations, the researcher aimed to enhance the trustworthiness and validity of the study. However, there is a limitation of this comparison. The reason is based on the fact that the examples mentioned by participants could not be compared directly to their responses to the survey because the interviewees were not requested to align the extent or frequency of the examples as influences on the corporate governance practices in the Solomon Islands. Therefore, while the interviewees may have identified examples the occurrence of *wantok* obligations, the examples and their extent of influence on corporate governance practices was outside of the scope of the interview data gathering strategy. That is, the interview data were used to help answer research questions two, three and four whereas the questionnaire gathered data were used to help identify an answer for research question one.

Conversely, as the researcher is known to the participants, they may be more comfortable to speak freely. The researcher observed that the participants appeared to speak openly and honestly about their views, opinions, and experiences. This was obvious in the participants' responses. Knowing the researcher gave the participants a level of trust and acceptance of confidentiality compared to discussing with a stranger or someone they did not know. Open discussions by the participants provided an opportunity to gather comprehensive data. This was significant because no prior study has been conducted on the influence of the *wantok* system on the corporate governance practices of the Solomon Islands SOEs.

Regardless of the limitations and the challenges faced, the researcher achieved the objective of interviewing more than 30 participants. The participants provided sufficient

information to answer the questions prepared for this study. The study contributes to understanding the *wantok* system's influence on the corporate governance practices of the Solomon Islands SOEs, and the strategies to strengthen the corporate governance system and reorientate the *wantok* system to support corporate governance practices of the Solomon Islands SOEs.

4.11 Conclusion

This chapter focused on the research design of this study. The study used a cross-sectional qualitative approach to gather data to answer the research questions of this study. A total of 32 participants from both the SOEs and NSOEs took part in the research survey and interview process to answer the questions of the study. The questionnaire data was analysed through Microsoft Excel software to capture the participants' demographic information and the participants' responses on the extent of *wantok* system influences on corporate governance practices.

The thematic analysis approach was adopted to gain insights into the data collected from the interviewed participants to understand the *wantok* system influence and identify the strategies to strengthen the corporate governance system and the strategies to reorientate the *wantok* system to support corporate governance practices in the Solomon Islands SOEs. Research limitations and problems encountered during the field research work were also noted. The findings from the study are discussed in chapters five and six.

CHAPTER 5: FINDINGS

5.1 Introduction

The study focuses on the *wantok* system's influence on corporate governance practices of the Solomon Islands SOEs. The study aims to explore how strategies should be implemented to enhance the acceptance of corporate governance practices of the Solomon Islands' SOEs through understanding the influence of the *wantok* system. The previous chapter provided the methodology employed to collect information that will be used to address the research questions of this study. This chapter presents the findings from the questionnaire and analysis of interviews conducted with the SOE board members: CEOs and senior management staff in the first category of participants (SOE), and other SOE stakeholders: the senior public servants, practising accountant, business entrepreneur, academics, NGO group representatives in the second category of participants (NSOE). Aspects from the study's theoretical framework that are identified in the findings are incorporated throughout this chapter.

This chapter is divided into two parts. Part I consists of the findings on the influence of the *wantok* system on the application of four specific corporate governance practices of the Solomon Islands' SOEs. It contains four sections: Section 5.2 presents the findings on the *wantok* system's influence on recruitment practices, Section 5.3 presents the findings on the *wantok* system's influence on the appointment of the board of directors, Section 5.4 presents the findings on the *wantok* system influence on awarding contracts, and Section 5.5 presents the findings on the *wantok* system influence on customer services. In each of these four sections, firstly, the responses to the questionnaire are examined. The questionnaire responses provide information on the varying perceptions of the extent of influences of the *wantok* system on the identified corporate governance practices. Secondly, each section then explores the findings from the interviews in relation to the influence of *wantok* obligations on the identified corporate governance practices. The interviews do not capture the extent of the influence of *wantok* system obligations but rather provide illustrative examples of the participants' observations of *wantok* practices. The purpose of separating these two sets of findings is to report the findings that help answer research question one, using the questionnaire data, while the information from the interviews reports on data that helps to answer research question two.

Part II consists of the findings concerning the participants' opinions from the interviews about the strategies to enhance corporate governance of the Solomon Islands SOEs (these address research questions three and four). Part II contains two sections: Section 5.6 presents

the findings on the strategies to strengthen the corporate governance system of the Solomon Islands SOEs and Section 5.7 presents the findings on the strategies to reorientate the *wantok* system to support corporate governance in the SOEs. Section 5.8 provides the conclusion for the chapter. The next section presents the findings on the *wantok* system's influence on corporate governance practices of the Solomon Islands SOEs.

Part I – Findings: the *wantok* system's influence on corporate governance practices

The current study used the five *wantok* system obligations and four specific corporate governance practices. These five *wantok* system obligations were identified in Section 3.5 of Chapter 3: the common language (*wantok* = one talk), common kinship group, common geographical area of origin, common social associations or religious groups, and common belief in the principle of mutual reciprocity. The four corporate governance practices were identified in Section 3.5 of Chapter 3: the recruitment practices, appointment of the board of directors, awarding contracts, and fair treatment of customers, are examined with regard to the extent to which the *wantok* system obligations influence these practices.

The study used the five *wantok* system obligations to determine the extent of the influence of the *wantok* system on the four specific corporate governance practices stated above using the Likert scale: 1) very large extent; 2) large extent; 3) moderate; 4) small extent; and 5) very small extent. The initial findings are contained in Table 15 and Table 16 in the next two pages, which summarise the participants' responses from the questionnaire regarding the extent of the *wantok* system's influence on the corporate governance practices of the Solomon Islands SOEs for the two groups: SOEs and NSOE groups. For ease of discussion the Likert scales are collapsed to show very large to moderate, and small to very small. After presenting the Tables, the findings regarding each of the four corporate governance practices are presented in turn. First, the questionnaire results are outlined, and then the interview findings are provided.

Table 15: Participants' responses on the extent of *wantok* system influence on the corporate governance practices of the Solomon Islands SOEs - SOE Group

<i>Wantok system</i> ' Obligations	Very large extent	Large extent	Moderate extent	Small extent	Very small extent	Total	Moderate to very large	Small to very small
	<u>1. Recruitment practices</u>							
1. Language	0%	14%	14%	21%	50%	100%	29%	71%
2. Kinship	7%	7%	7%	14%	64%	100%	21%	79%
3. Geographical area of origin	0%	21%	21%	21%	36%	100%	43%	57%
4. Social associations or religious groups	7%	14%	7%	29%	43%	100%	29%	71%
5. Mutual reciprocity	7%	14%	0%	21%	57%	100%	21%	79%
Average	4%	14%	10%	21%	50%	100%	29%	71%
<u>2. Appointment of the board of directors</u>								
1. Language	0%	0%	0%	29%	71%	100%	0%	100%
2. Kinship	0%	0%	7%	14%	79%	100%	7%	93%
3. Geographical area of origin	0%	0%	14%	14%	71%	100%	14%	86%
4. Social associations or religious groups	0%	7%	14%	14%	64%	100%	21%	79%
5. Mutual reciprocity	7%	7%	7%	7%	71%	100%	21%	79%
Average	1%	3%	9%	16%	71%	100%	13%	87%
<u>3. Awarding of contracts</u>								
1. Language	7%	14%	7%	21%	50%	100%	29%	71%
2. Kinship	7%	14%	0%	21%	57%	100%	21%	79%
3. Geographical area of origin	7%	14%	7%	21%	50%	100%	29%	71%
4. Social associations or religious groups	7%	7%	14%	29%	43%	100%	29%	71%
5. Mutual reciprocity	7%	0%	0%	29%	64%	100%	7%	93%
Average	7%	10%	6%	24%	53%	100%	23%	77%
<u>4. Fair treatment of customers</u>								
1. Language	14%	0%	29%	21%	36%	100%	43%	57%
2. Kinship	14%	0%	21%	14%	50%	100%	36%	64%
3. Geographical area of origin	14%	0%	36%	7%	43%	100%	50%	50%
4. Social associations or religious groups	14%	0%	21%	14%	50%	100%	36%	64%
5. Mutual reciprocity	14%	0%	7%	29%	50%	100%	21%	79%
Average	14%	0%	23%	17%	46%	100%	37%	63%
Overall average	7%	7%	12%	20%	55%		25%	75%

Table 16: Participants' responses on the extent of *wantok* system influence on corporate governance practices of the Solomon Islands SOEs - NSOE Group

<i>Wantok system</i> ' Obligations	Very large extent	Large extent	Moderate extent	Small extent	Very small extent	Total	Moderate to very large	Small to very small
	<u>1. Recruitment practices</u>							
1. Language	6%	56%	19%	6%	13%	100%	81%	19%
2. Kinship	13%	44%	31%	0%	13%	100%	87%	13%
3. Geographical area of origin	13%	25%	50%	6%	6%	100%	87%	13%
4. Social associations or religious groups	19%	38%	19%	13%	13%	100%	75%	25%
5. Mutual reciprocity	13%	56%	6%	6%	19%	100%	75%	25%
Average	13%	44%	25%	6%	13%	100%	81%	19%
<u>2. Appointment of the board of directors</u>								
1. Language	13%	38%	19%	6%	25%	100%	69%	31%
2. Kinship	6%	44%	19%	19%	13%	100%	69%	31%
3. Geographical area of origin	19%	38%	13%	19%	13%	100%	69%	31%
4. Social associations or religious groups	13%	38%	31%	13%	6%	100%	81%	19%
5. Mutual reciprocity	13%	50%	19%	13%	6%	100%	81%	19%
Average	13%	41%	20%	14%	13%	100%	74%	26%
<u>3. Awarding of contracts</u>								
1. Language	0%	44%	25%	13%	19%	100%	69%	31%
2. Kinship	0%	44%	38%	6%	13%	100%	81%	19%
3. Geographical area of origin	0%	25%	44%	25%	6%	100%	69%	31%
4. Social associations or religious groups	6%	38%	38%	13%	6%	100%	81%	19%
5. Mutual reciprocity	0%	38%	38%	19%	6%	100%	75%	25%
Average	1%	38%	36%	15%	10%	100%	75%	25%
<u>4. Fair treatment of customers</u>								
1. Language	13%	38%	25%	13%	13%	100%	75%	25%
2. Kinship	13%	50%	13%	19%	6%	100%	75%	25%
3. Geographical area of origin	19%	25%	31%	13%	13%	100%	75%	25%
4. Social associations or religious groups	19%	44%	19%	19%	0%	100%	81%	19%
5. Mutual reciprocity	13%	31%	38%	13%	6%	100%	81%	19%
Average	15%	38%	25%	15%	8%	100%	78%	23%
Overall average	10%	40%	27%	13%	11%	100%	77%	23%

5.2 Recruitment practices

This section provides two sub-sections related to the influence of different types of *wantok* obligations on recruitment practices.

5.2.1 *The extent of the wantok system's influence on recruitment practices*

The results of the SOE Group's responses from the questionnaire on the extent of the *wantok* system's influence on the recruitment practices of the Solomon Islands SOEs are summarised as follows: The results in Table 15 show that 71% of SOE participants stated that the influence of common language and common social associations or religious groups on the recruitment practices was small while 29% said that it is from moderate to large. Seventy-nine per cent of the SOE participants stated that the influence of common kinship groups and common belief in the principle of mutual reciprocity on the recruitment practices was small to very small while 21% said that it is from moderate to large. Fifty-seven per cent of the SOE participants agreed that the influence of a common geographical area of origin on the recruitment practices was small to very small while 43% said that it is from moderate to large. Overall, 71% of the SOE participants agreed that the influence of the *wantok* system on recruitment practices was small to very small while 29% of the participants agreed that the influence of the *wantok* system was moderate to very large.

On the other hand, the results of the NSOE Group's responses on the extent of the *wantok* system's influence on the corporate governance practices of the Solomon Islands SOEs are summarised as follows: Table 16 shows that 19% of NSOE participants stated the influence of common language on the recruitment practices was small while 81% said that it is from moderate to large. For the NSOE participants, 13% stated that the influence of common kinship group and common geographical area of origin on the recruitment practices was small while 87% said that it is from moderate to large. Twenty-five per cent of the NSOE participants agreed that the influence of common social associations or religious groups and the common belief in the principle of mutual reciprocity on the recruitment practices were small while 75% said that it is from moderate to large. Overall, 81% of the NSOE participants agreed that the influence of the *wantok* system was moderate to large, while 19% of the participants agreed that the influence of the *wantok* system on the recruitment practices was small.

This finding revealed that NSOE participants perceived that there was a strong preference for the recruitment of candidates who are part of their *wantok* network or group. On the other

hand, most SOE participants did not perceive a strong preference for recruiting candidates who are part of their *wantok* system.

5.2.2 *Types of wantok system obligations influencing the recruitment practices*

The interview data revealed that the recruitment practices in the SOEs are influenced by all *wantok* system obligations: (1) language and geographical area of origin, (2) kinship, (3) social associations or religious groups, and (4) mutual reciprocity.

The first type of influence identified under the recruitment practices is the language and geographical area of origin influence. Potential employees are often recruited based on their language and Island of origin in the Solomon Islands. In most cases, the language and the Island of origin are the same as those who are in the key positions in the interview panels of the organisations. All the participants interviewed agreed that recruitments based on language and island of origin influence are common practices in the Solomon Islands. PN6²⁴ described an example of applying for a position and observing an apparent *wantok* bias towards appointing the candidate:

...last year as part of an interview process for a job I felt that I was a strong candidate for the post but because the chairperson of the interview panel and the chairperson of the board are also from the same Island, they have recruited someone from the same Island who speak the same language.

Similarly, PS10 shared an observation on another example about the province of origin's influence on the recruitment processes in their organisation:

I think the common language spoken in my organisation then was the [...language], as the majority of the staff are from the [...province]. This might be due to the chairperson who was also from that province at that time. A new general manager from the [... province] was recruited later, and that saw the majority of the non-technical staff or support services such as the security staff, cleaners or casuals are recruited from the [...province] but more so, within his region in that province.

PS4 further described another example when he was a CEO of an SOE and he noticed the recruitment practices were skewed towards the former general manager's Island of origin:

I remember our former manager, who was a person from [...Island], and so a lot of people from [...Island] were recruited into our organisation because he has the power then to do it.

²⁴ The numbering PS1 – PS16 and PN1 – PN16 is used as shown in Table 4-1 in Chapter 4. The quotations included in the findings presented in Chapter 5 were all sourced from the interview transcripts.

The second type of influence identified under the recruitment practices is the kinship influence. Many participants interviewed agreed that kinship influences on recruitment are practised in the SOEs. The kinship influences are related to the recruitment of uncles, nieces, nephews or children. The relatives of the candidates are usually in the key recruitment positions. PS5 sums up how recruitment practices are influenced by the kinship obligation:

...this is common in SOEs that if anyone or *wantok* applies then usually they'll recruit their own people because I think governance is weak in some of the SOEs. So, it happens inside the SOEs and the recruitment processes because they have that network, so they can recruit their *wantoks* and even their uncles, nieces or nephews.

An example of how kinship influences the recruitment practices in the SOEs is by way of senior managers recommending their children for jobs in the same organisation. PS14 shared how the practices are done:

...there have been instances in the past when I was at the ...level, that I witnessed managers had recommended their children to take up jobs in the organisation.

In another discourse, PS8 expressed an opinion on how kinship is dealt with under his SOE in the Solomon Islands:

If somebody completely fulfills the recruitment requirements and eventually got selected, maybe it happened to be somebody's daughter, still that's fine. So only one of offspring is allowed but the policy outlines that they cannot work in the same department, he or she shouldn't be within that span of control of his father or mother.

PS9 revealed another practice similar to PS8 where a mother and daughter are both working for the same SOE:

...For example, mymanager has been here for many years, and because of her many years here at theSOE, I guess that has influenced her daughter to take up studies in She went to the University and graduated with a bachelor's degree in She applied for a job with us, went through the interview process and now she is doingwork in the organisation.

The third type of influence identified during the study is recruitment based on religious lines and social associations. In terms of religious lines, if a CEO is from a particular church group, then future recruitments would be skewed towards the members of that church. PS5 commented on how the recruitments through religious groupings can be figured out as a matter of evidence:

...for this organisation, the CEO is from [...church] group, so the recruitment of people is also from [...church]...

PN10 shared his experience of recruitments influenced by religious groups since his wife was a former employee of the SOE:

I've come across a few certain managerial positions that are dominated by certain religious groups. One I can remember or recall back because my wife used to work at ... SOE, and that is really clear where a certain church group have taken up the managerial positions...

For the social associations, the recruitments can be done though joining sports clubs associated with the SOEs. PN13 stated that such practices are more common in the years prior to the enactment of the SOE Act 2007.

PS15 confirmed such a practice that used to happen in his SOE:

The history of ... [the] SOE ... and that's how we do the recruitment. So, recruitment before was ... like if you know how to play rugby, you can get in. We have a very few members that are left from those recruitments. So those are the last lot that actually ... from that system being part of the social gathering. Before it's more about rugby and drinking alcohol and now the mindset is changing...

PN2 also shared his experience on the recruitments that are done through club associations:

Yes, I have come across one or two instances of that, like people who belong to the same sports club, such as the general manager being a member of the sports club and was able to employ a member of that club. Also, the general manager is member of the old school association so again employs one or two members from that club.

All interviewees acknowledged the Solomon Islands as a Christian country and therefore, belongingness to a particular church grouping had influences on the recruitment practices of the SOEs. In addition, the belongingness that is seen in the church groups also happens in the clubs and social associations.

The fourth type of influence under the recruitment practices is the mutual reciprocity influence – usually practised through friends in key positions of influence. In such cases, the candidates are close friends of key people in the organisations carrying out the recruitments. This recruitment type may be similar to social association or religious groupings, but the difference is that arrangements are done privately and not in groups, in anticipation of good

deeds in future or perhaps, rewarding friends for some form of support in the past. PN2 described how mutual reciprocity is usually done through friends:

A few years back, I was with this SOE as a divisional manager, and it happened that the chairperson of the board pushed for his close friend to be appointed to a position. The management, my colleagues and I decided to maintain the appointment process to be based on merit in accordance with the key selection criteria. The chairperson insisted the board to support him, so the outcome revealed that he was able to get it.

The other case of the mutual reciprocity influence is the recruitment of extra staff. The recruitment of extra staff occurs to provide jobs for friends and to help people in need. PS8 described how this recruitment style is carried out:

... the managers were... recruiting staff left, right, and centre and more than what was required. For example, the organisation needs only two new staff but instead recruited ten new staff because that was to give opportunities to some of their friends or relatives to help someone in need.

In summary, the data used from the questionnaire to identify the extent of the *wantok* system's influence on recruitment practices was perceived as significant by the NSOE participants while the SOE participants reported that while it had happened in the past it had reduced significantly. Both SOE and NSOE participants provided statements as examples during their interview describing influence of the obligations of the *wantok* system.

The findings of the interviews also revealed that all the *wantok* system obligations have an influence on the recruitment practices of the Solomon Islands SOEs but the extent and frequency of this influence was outside of the scope of the interview method. These *wantok* system obligations included kinship, language and area of geographical origin or island of origin, religion and mutual reciprocity.

The interview data findings are consistent with responses aligned with the collectivism culture characteristics of the individualism-collectivism continuum of Hofstede's cultural dimensions (Hofstede 1980b). Hofstede's collectivism dimension is supported by Stamkou et al. (2019) results which suggest that practices following the norms of a collective culture are accepted, whereas norm violation may experience resistance. Collectivism theory suggests that cultures that value group harmony and social order tend to favour candidates who share similar backgrounds and affiliations (Hofstede 1984). People value interdependence and hierarchy and recruit candidates who share their cultural values, norms and expectations. Additionally, recruitment practices can also be influenced by uncertainty avoidance. The appointment of

people with similar cultural values means they will be more predictable in their responses to workplace situations hence maintaining stability and predictability. This can explain why the SOE leaders recruit persons sharing kinship, language, island of origin, religion, and mutual reciprocity.

5.3 Appointment of the board of directors

This section provides two sub-sections related to the influence of different types of *wantok* obligations on the appointment of the board of directors.

5.3.1 The extent of the wantok system's influence on the appointment of the board of directors

Table 15, which summarises the questionnaire responses above shows all the SOE participants agreed that the influence of common language on the appointment of the board of directors was small. Overwhelmingly, the SOE participants stated that the influence of the common kinship group on the appointment of the board of directors was small while 7% said that it is from moderate to large. Eighty-six per cent of participants agreed that the influence of a common geographical area of origin on the appointment of a board of directors was small while 14% said that it is from moderate to large. Seventy-nine per cent of participants agreed that the influence of common social associations or religious groups and the common belief in the principle of mutual reciprocity on the appointment of a board of directors was small while 21% said that it is from moderate to large. Overall, 87% of the participants agreed that the influence of the *wantok* system on the appointment of the board of directors was small while 13% of the participants agreed that the influence of the *wantok* system was moderate to large.

On the other hand, Table 16 shows that 31% of NSOE participants stated the influence of common language, common kinship group, and common geographical area of origin on the appointment of the board of directors was small while 69% said that it was from moderate to large. Nineteen per cent of the NSOE participants agreed that the influence of common social associations or religious groups and common belief in the principle of mutual reciprocity on the appointment of a board of directors was small while 81% said that it is from moderate to large. Overall, 26% of the participants agreed that the influence of the *wantok* system on the appointment of the board of directors was small while 74% of the participants agreed that the influence of the *wantok* system was moderate to large.

As with the finding of the recruitment practices, this finding revealed that most of the NSOE participants perceived that there was a strong preference for the appointment of the board of directors who are part of their *wantok* network or group while the SOE participants did not perceive a strong preference for the appointment of the board of directors as influenced by the *wantok* system.

5.3.2 Types of wantok system obligations influencing the appointment of the board of directors

The interview data revealed that the appointment of the board of directors is influenced by the mutual reciprocity obligation. Many participants highlighted that the board of director appointments are influenced politically in different ways, such as on a mutual reciprocity basis with the political supporters. PS8 explains how the board of directors and the chairperson of the SOE boards are appointed because of being *wantoks*:

...board members are mostly politically appointedand it comes in different ways. The board members also know that, and their survival depends on the political influences too as it happened in the organisation at one point when a director and chairperson were appointed because they are *wantoks*.

Similarly, PN7 further explained how the appointment of the board of directors and the chairpersons was influenced by being close friends with the politicians:

A classic example ... where those who have been appointed to the boards are considered for their past political engagements or being close friends to the politicians, especially the chairpersons.

In another case of political influence, PS9 described how some boards of directors are appointed because they were strong supporters of the Ministers during the political campaigning period:

Personally, I think it's really...those people who are working for the Ministers, ...would go through those names again before the process and say "Oh, Minister! The board has recommended this but remember that guy? He was very instrumental in the campaign for our party last time, that fundraising, his name is here, why don't we recruit him?" He could be in there for couple of years.

PN13 provided an example where the appointment of the board of directors took a long time to finalise because of disagreements between the accountable ministers on their preferred candidates:

...based on my experience, it took a long time to appoint the board of directors because of disagreements between the Minister of and theMinister. The Minister of preferred his candidate while theMinister preferred another candidate. Because of this, the appointments of board of directors were delayed.

The above quotes demonstrate that the appointments of the board directors are influenced politically in different ways and that the practices occur on a mutual reciprocity basis through friends and political supporters. So, there is a web of political relationships interwoven within mutual reciprocity relationships. PN7 summed up the practice of mutual reciprocity, noting the practice is evident where there are political relationships.

In summary, the extent of the *wantok* system's influence on the appointment of the board of directors has been perceived as significant by the NSOE participants while the SOE participants reported that it was not significant. As outlined in sub-section 5.2.2, both SOE and NSOE participants provided statements as examples during their interview describing the influence the obligations of the *wantok* system for the appointment of the board of directors. The findings also revealed that the mutual reciprocity obligation of the *wantok* system influenced the appointment of the boards of directors of the Solomon Islands SOEs but the extent and frequency of this influence was outside of the scope of the interview method. The findings are consistent with Stamkou et al. (2019) model which shows that in collectivist societies practices which follow norms are accepted whereas norm violation may experience resistance.

According to collectivism theory, societies that emphasise group cohesion and social order prefer candidates with comparable origins and affinities to the ingroups (Hofstede 1984). People appreciate interdependence and like to associate with people who share their cultural values, conventions, and expectations. This may explain why mutual reciprocity influences board of director appointments.

5.4 Awarding contracts

This section provides two sub-sections related to the influence of different types of *wantok* obligations on practices related to awarding contracts.

5.4.1 *The extent of the wantok system's influence on awarding contracts*

The questionnaire summary in Table 15 shows that 71% of the SOE participants stated the influence of common language, common geographical area of origin and common social associations or religious groups on the awarding of contracts was small, while 29% said that it is from moderate to large. Seventy-nine per cent of the SOE participants stated that the influence of common kinship groups on awarding contracts was small, while 21% said that it is from moderate to large. For the SOE participants, 93% agreed that the influence of common social associations or religious groups and the common belief in the principle of mutual reciprocity on the awarding of contracts was small while 7% said that it is from moderate to large. Overall, 77% of the participants agreed that the influence of the *wantok* system on the awarding of contracts was small while 23% of the participants agreed that the influence of the *wantok* system was moderate to large.

On the other hand, Table 16 shows that 31% of the NSOE participants stated the influence of common language and common geographical area of origin on the awarding of contracts was small while 69% said that it is from moderate to large. Nineteen per cent of participants stated that the influence of common kinship groups and common social associations or religious groups on the awarding of contracts was small while 81% said that it is from moderate to large. For the NSOE participants, 25% agreed that the influence of common social associations or religious groups and the common belief in the principle of mutual reciprocity on the awarding of contracts was small while 75% said that it is from moderate to large. Overall, 75% of the participants agreed that the influence of the *wantok* system was moderate to very large, while only 25% of the participants agreed that the influence of the *wantok* system on the awarding of contracts was small.

As with the finding of the previous two corporate governance practices, recruitment practices and the appointment of the board of directors, the NSOE participants perceived that there was a strong preference for the awarding of contracts to the *wantok* network or groups while the SOE participants did not perceive a strong preference for the awarding of contracts as influenced by the *wantok* system.

5.4.2 *Types of wantok system obligations influencing awarding contracts*

The interview data revealed that preferences in awarding contracts are practised in the SOEs. Mutual reciprocity influences awarding contracts and the practice of awarding job contracts to close friends is not uncommon in the SOEs. PS6 described the awarding of contracts to friends:

...from observation, there is a lot of *wantok* system being practised and obviously with the awarding contracts. But those are contracts that are below \$10,000, and contracts are seen awarded to friends. The contracts above \$10,000 has to be tendered out, but pressure and influence from upper level also played in as well.

Echoing the same observation on the awarding of contracts, PN9 gave an example of how contracts can be awarded to close friends:

...I would say that the experiences regarding the awarding of contracts to people you know is obvious in the Solomon Islands. For example, I know I will get the job if I submit my bid to the board of an organisation that the chairperson or the boss is my close friend.

In summary, from the questionnaire the extent of the *wantok* system's influence on awarding contracts was perceived as significant by the NSOE participants while the SOE participants reported that it was not significant.

As outlined in sub-section 5.2.2, both the SOE and NSOE participants provided statements as examples during their interview describing the influence of the obligations of the *wantok* system in awarding contracts. The findings also revealed that the mutual reciprocity obligation of the *wantok* system influenced the awarding of contracts of the Solomon Islands SOEs but the extent and frequency of this influence was outside of the scope of the interview method.

As might be expected, the influence of *wantok* in awarding contracts was similar to the practices observed in recruitment. These findings demonstrate the pervading collectivist culture. Those responsible for awarding contracts tend to give them to close friends with comparable backgrounds which is the influence of mutual reciprocity.

5.5 Customer services

This section provides two sub-sections related to the influence of different types of *wantok* obligations on practices related to providing customer services.

5.5.1 *The extent of the wantok system's influence on customer services*

Table 15 which summarises the questionnaire responses shows that 57% of SOE participants stated the influence of common language on the fair treatment of customers was small while 43% said that it is from moderate to large. Of the SOE participants 64% stated that the influence of common kinship groups and common social associations or religious groups on the fair treatment of customers was small while 36% said that it is from moderate to large. Fifty per cent of participants agreed that the influence of a common geographical area of origin on the fair treatment of customers was small while 50% said that it is from moderate to large. Seventy-nine per cent of participants agreed that the influence of common social associations or religious groups and the common belief in the principle of mutual reciprocity on the fair treatment of customers was small while 21% said that it is from moderate to large. Overall, 63% of the participants agreed that the influence of the *wantok* system on the fair treatment of customers was small while 37% of the participants agreed that the influence of the *wantok* system was moderate to very large.

On the other hand, Table 16 shows that the minority of NSOE participants, 25%, stated the influence of common language, common kinship group and common geographical area of origin on the fair treatment of customers was small while 75% said that it is from moderate to larger. Nineteen per cent of participants agreed that the influence of common social associations or religious groups and common belief in the principle of mutual reciprocity on the fair treatment of customers was small while 81% said that it is from moderate to large. Overall, 77% of the participants agreed that the influence of the *wantok* system was moderate to large while 23% of the participants agreed that the influence of the *wantok* system on the fair treatment of customers was small

As with the findings of the previous three corporate governance practices, recruitment practices, the appointment of the board of directors, and the awarding of contracts, the NSOE participants perceived that there was a strong preference for treatment of customers who are connected to the *wantok* network or groups. While the SOE participants did not perceive a strong preference for the treatment of customers as influenced by the *wantok* system.

5.5.2 *Types of wantok system obligations influencing customer services*

The interview data revealed that the *wantok* system obligations were evident in various customer service practices. The participants highlighted the preferential treatment in customer service, favourable treatment to *wantoks* or friends, bypassing and tampering with the reading instruments, and services provided for extra cash. Mutual reciprocity influenced customer services.

Many participants agreed that preferential treatment in customer services happens in the SOEs. PS6 describes the preferential treatment of customers:

There's preference to serving a *wantok* other than other customers. He/she might say "Can you please stand and wait over there", because he or she is serving his/her *wantok* and later he/she went and served the waiting customer. In that way, it's no longer about good customer service but different approach, it is a different way of doing things being applied to a *wantok* than to another person – "*wantok* system".

Another form of customer service identified during the study is the favourable treatment of relatives that related to no disconnection of services for relatives even when outstanding bills were not settled. PN2 explains:

...during my years of work with the [... SOE], that happened where some of our field workers ... went to carry out service disconnections on certain areas and they are like "Oh, this house belongs to my uncle so don't disconnect it" then further proceed to advise them to go and pay the bills. And that actually happened which I cannot deny and that I can confirm.

PN3 described another example of customer service through bypassing and tampering of the reading instruments, as a favourable treatment to relatives. The bypassing the service connections after the disconnection of services was carried out and tampering with the reading instruments so that the customer pays less in their monthly bills are purposely to help the *wantoks*. PN3 explains:

In terms of the [... SOE], people are helping their *wantoks* to bypass the disconnected meter after the disconnection exercise was carried out. With regard to the [.....SOE], *wantoks* tampered with the meters so that they can pay less amount of money at the end of the month.

In another form of customer service, the SOE field staff request extra cash from the *wantoks*, and the SOE field staff promise to do something about their bills. PS14 confirms such practices:

I can confirm that we have come across situations where we have staff negotiating with people in terms of payments probably because he/she is a *wantok* and saying, “Okay, just pay us this and we will do this and that.”

In summary, from the questionnaire, the extent of the *wantok* system's influence on customer service was perceived as significant by the NSOE participants while the SOE participants reported that it was not significant. Both NSOE and SOE participants provided examples of the influence of the *wantok* system obligations on customer services. The findings also revealed that the mutual reciprocity obligation of the *wantok* system influenced the customer services of the Solomon Islands SOEs. As outlined in sub-section 5.2.2, both SOE and NSOE participants provided statements as examples during their interview describing the influence the obligations of the *wantok* system on customer services but the extent and frequency of this influence was outside of the scope of the interview method. The findings follow collectivism theory which predicts favouritism towards members of one's ingroup. According to collectivism theory, cultures that prioritise group cohesion and social order prefer people with similar backgrounds and affinities (Hofstede 1984). People value interdependence and give preference to their ingroup when providing customer service which demonstrates mutual reciprocity.

The findings of this study regarding the four specific corporate governance practices revealed the mutual reciprocity influence of the *wantok* system has the greatest influence on corporate governance practices in the Solomon Islands SOEs, followed by the language and island/province of origin influence, kinship and relatives influence and the least influential is the common social associations or religious groups. The next section presents Part II of the Findings: Strategies to enhance corporate governance of the Solomon Islands SOEs.

Part II – Findings: Strategies to enhance corporate governance of the SOEs

5.6 Strategies to strengthen corporate governance system of the SOEs

The participants' responses for the strategies to strengthen the corporate governance system of the Solomon Islands SOEs are grouped under five main themes: (a) government's oversight role, (b) corporate governance system, (c) stakeholder consultation/dialogue mechanism or platform, (d) sector ministries oversight role, and (e) administrative protocols.

(a) The government's oversight role

Currently, the government's oversight role is coordinated by the SOE Unit under the Economics Division of the Ministry of Finance and Treasury of the Solomon Islands Government and managed by two staff. The roles of the staff include the monitoring and understanding of the financial performance, investment strategies, business plans and delivery of services (including the community service obligations). Also, it is their responsibility to ensure SOEs are complying with the SOE Act 2007 and the SOE Regulations 2010 and provide timely reports on their planning, budgeting and governance. Lastly, they are to develop a capital structure policy for SOEs (Ministry of Finance and Treasury 2020, p. 27).

The study noted the low level of staffing with only two staff for this important strategic function – the government's oversight role on the SOEs. For the two staff to carry out an oversight role on behalf of the government for eleven SOEs may be a challenging task. To visit, meet and hold discussions with the CEOs and the SOE boards, and support the sector ministries' oversight roles on their respective SOEs may seem impossible. PN11 highlighted that the SOE Unit does not have the capacity. In addition, PN7 suggested that the SOE unit should be upgraded to facilitate the strengthening of the sector ministry oversight roles. This is an important issue to resolve by the government/state.

Stakeholder theory suggests that companies should consider not only the interests and the needs of the shareholders but all its stakeholders as well. Therefore, the government's oversight role should also take into account the interests and needs of the various stakeholders like the employees, the local communities and the public while ensuring the SOEs comply with relevant SOE legislations.

(b) Corporate governance system

The participants suggested several strategies to strengthen the corporate governance system of the Solomon Islands SOEs: (i) guidelines on corporate governance for SOEs, (ii) appointment of the board of directors, (iii) board capacity building, (iv) sub-committees, (v) internal audits, and (vi) political influence safeguards.

(i) Guidelines on corporate governance for SOEs

Many of the SOE participants shared the view that they had not seen any documents relating to the guidelines for the corporate governance of the Solomon Islands SOEs developed by the government for its SOEs. PS9 verified that there are no corporate governance policy guidelines for the SOEs since the passing of the SOE Act in 2007 and the SOE Regulation promulgation in 2010. In the absence of guidelines on corporate governance for the SOEs, PS9 confirmed that his board is working on a set of guidelines for the governance of his SOE:

The only thing that is missing as far as the board is concerned is the corporate governance policy guideline since there are no corporate governance policy guidelines for the SOEs of Solomon Islands. Because of this, my board is now working on a governance policy for my organisation.

Under stakeholder theory, having a set of corporate governance guidelines for the SOEs could mean that the state should also take into account the interests and the needs of the stakeholders like the employees, customers, creditors, and local communities. The SOEs should communicate effectively with their stakeholders, disclose relevant information, and contribute to social goals.

(ii) Appointment of the board of directors

Many SOE participants expressed the importance of appointing a strong chairperson with leadership qualities, qualified professionals, and candidates based on board recommendations and to discourage nepotism in the board appointments. PS8 described the qualities of the chairpersons of the SOE boards as strong leaders with leadership qualities:

..., we need to have a strong chairperson on the SOE boards ... The leaders should be strong, and they should know what they are doing. If the leaders are strong and then the rest becomes near perfect. If the leaders are not strong, then that is where we will face issues.

PS3 gave an example of a strong and effective chairperson with leadership qualities on the SOE board:

...when we cut off the services from some of the government ministries, they paid off their bill the next day. So, we can see that this depends on the chairperson because he is the link between the government and organisation.

PS3 related this as an example of how an effective SOE chairperson should perform. PS3 used the example of their current chairperson compared to their former chairperson. The former chairperson did not actively pursue board resolutions, for example, disconnection of services to the government ministries. The current chairperson, however, acted on the board decisions resulting in the disconnection of services to some of the government offices. The bills were paid the next day and services restored to the government ministries. In this way, PS3 explained that they have more confidence in the current chairperson:

The current chairperson has made it clear that when a disconnection of service is set at \$200 minimum limit and has not been paid over a 90 days-period, disconnection must be carried out, regardless of whether he is a businessman or a government ministry.

Many SOE and NSOE participants also highlighted that the board of the SOEs should have members who are qualified professionals in various fields. PS8 explains:

...we need to develop ourselves professionally and to help the country, that's where the discipline comes in. ...it was an obvious experience where there are more dramas in the past about the board appointments.

At present the appointment of the board of directors is done by accountable ministers under the SOE Act. PN2 explains that the appointment of board members should be done on merit, otherwise the minister can appoint anyone. PN2 explains:

... I would rather see that the board of directors are appointed on merit. The way I see it now is that the Minister appoints the board members, therefore, one cannot rule out whether the Minister is appointing the person from the same province as the Minister or speaking the same language or the same religion or social grouping or group from the same political party.

An example of the minister appointing anyone was when the minister appointed the spouse to two SOEs but later revoked the decision because of public outcry from the people. PN11 described the case:

An incident that happened prior to the SOE reforms when a particular Minister appointed his wife to become a board director of two SOEs in the Solomon Islands. These appointments, however, were later revoked by the Minister following the public outcry on these appointments.

The opinion of many participants interviewed is that all appointments for the director of any SOE board should be based on the board recommendations submitted to the minister for decision and formal appointment.

Quality and integrity of the board appointments are important to ensure that the board of directors represents the interests and values of all stakeholders, such as shareholders, employees, customers, suppliers, and regulators. A strong chairperson with leadership qualities can help to guide the board's vision and strategy, facilitate effective decision-making and resolve conflicts among stakeholders. Qualified professionals can bring relevant expertise and experience to the board's oversight and governance functions. Candidates based on board recommendations can ensure that the board composition reflects the diversity and needs of the stakeholders. Discouraging nepotism in the board appointments can prevent corruption, favouritism and bias that could undermine the stakeholders' trust and confidence. Power distance and collectivism dimensions of cultural dimension theory (Hofstede 1980b) would also suggest that these leaders are given support as these cultural dimensions emphasise respecting the authority and status of elders or influential members of the network.

(iii) Board capacity building

Board capacity building is important to ensure that the board of directors carries out their roles professionally and effectively, and in a transparent and accountable manner. Many participants agreed that capacity building for board members should include board of directors' training, board coaching, membership to institutes, and upholding professionalism. PN5 sums this up by saying:

I think it is important to institutionalise training for the board of directors, bringing new people into learning about the role, functions and the expected responsibilities of the board of directors. So, people who are interested to become board members of any SOE in the future need to go through the courses, and upon completion of the courses, certificates are awarded to people who successfully complete them.

PN5 further suggests:

There is a need for an institute to conduct board training in conjunction with the university programs in the country. People who have completed the board training and become members of the institute are eligible to apply for the SOE board positions. This is like that of a CPA program where the members are continually supported with relevant information following the completion of certain courses. Being a member of the CPA always requires that the members always maintain professional conduct. Therefore, membership with an institute such as the Institute of the Board of Directors for instance,

is critical to help ensure all the board members act professionally during the conduct of duties. This professionalism will also increase the level of critical thinking in the boards of the SOEs in the Solomon Islands.

Board capacity building is important to ensure that the board of directors act in the best interest of all stakeholders such as shareholders, employees, customers, and suppliers. Board capacity building can help to improve the board's skills, knowledge, competence, and credibility in overseeing the strategic direction and performance of the SOE. Board capacity building can also help to foster a culture of collaboration, communication, innovation and responsibility among the board members and other stakeholders.

(iv) Sub-committees

The establishments of sub-committees are good corporate governance mechanisms to support the strengthening of the corporate governance system of the Solomon Islands SOEs. These sub-committees can be used to deal with issues such as HR matters, other fundamental issues, and so forth. PS4 explains:

...the board established a sub-committee to deal with HR issues. The sub-committee comprised a board member who is the chairperson of the committee, the CEO and the manager of the relevant department. This sub-committee has been established and it is a basic structure which links the board and management with the fundamental issues relating to the operations of the organisation.

According to stakeholder theory, sub-committees can be good corporate governance mechanisms because they can enhance the board's accountability to the shareholders and other stakeholders by ensuring transparency, fairness and compliance. It can also address complex or specialised issues that require more attention and analysis.

(v) Internal audits

Internal audit's function is to evaluate the internal controls, the corporate governance and accounting processes. Internal audits ensure compliance with laws and regulations and help to maintain accurate and timely financial reporting and data collection. Many participants interviewed commented that continuous internal audits should be done to identify certain non-compliance or irregularities for corrective actions. PS13 explains how an internal audit provides help to take corrective measures:

The identification of non-compliance or irregularities through the continuous internal audits has helped us to take corrective actions.

Internal audits can be used to investigate customer complaints so that corrective actions can be taken. PS7 explains:

My organisation uses internal audit as a tool to investigate customer complaints so that relevant actions are taken to deal with the complaints appropriately and in a timely manner.

Under stakeholder theory, internal audit is a function that serves the interests and values of various stakeholders such as shareholders, managers, employees, customers, and regulators. Internal audit helps to ensure that the business entity is accountable, transparent, efficient and ethical in its operations and reporting. Internal audits also help to identify and mitigate risks, improve performance, and enhance stakeholder confidence and trust. Under the collectivism dimension of Hofstede (Hofstede 1980b) and the model by Stamkou *et al.* (2019), internal audit may be resisted when it is making recommendations that are counter to the cultural norms.

(vi) Political influence safeguards

Political influence safeguards are important to address political influences. In the absence of corporate governance policy guidelines for the SOEs in the Solomon Islands and the weak oversight role by the sector ministries, there are reports of political influence in the appointment of the board of directors of the SOEs. To address the issue of political influence, PS9 suggests that the SOE Unit which currently plays an oversight role for the SOEs should be strengthened to facilitate the establishment of political influence safeguards.

The political influence is a violation of the stakeholder theory as it disregards the interests and values of other stakeholders such as customers, employees, and suppliers. Hence, the need to design political influence safeguards and incorporate them into the corporate governance policy guidelines.

The recommendations made by the participants are indicative of the need to review the SOE reforms that were carried out in the early 2000s. The outcome of such a review should be to improve the SOE Act for the purposes of meaningful compliance by the SOEs in the Solomon Islands.

(c) Stakeholder consultation/dialogue mechanism

The stakeholder consultation/dialogue mechanism should be a medium or platform for the SOEs to consult each other and share experiences of the challenges faced and the resolutions taken to address the challenges. PN1 suggests:

...there should be more dialogue and consultations between the different SOEs on challenges they face and seek advice from other SOEs in the way they perform the areas of governance and management. And therefore, that would help the SOEs to consider effective changes in the way they operate.

PN11 further stated that under the current governance structure, the SOE Unit should be able to facilitate this suggestion; however, it does not have the capacity to do this and, therefore, needs to be strengthened and upgraded to perform this role.

The stakeholder consultation/dialogue mechanism is consistent with stakeholder theory. Stakeholder theory focuses on the effect of corporate activities on all identifiable stakeholders (Turnbull 2000). Consequently, stakeholder consultation/dialogue mechanism is important to ensure that the interests of all stakeholders are taken into account when making decisions about the SOEs.

(d) Sector ministries oversight role

The oversight role of the sector ministries should be strengthened. A few of the participants interviewed suggested that the SOE Unit of the Ministry of Finance and Treasury should provide support and facilitate the strengthening of the oversight roles of the respective sector government ministries. PN7 states:

...the ministries responsible for the SOEs at times are weak in their oversight role. Maybe some SOEs are just arrogant in how they behave. One other example is the telecommunications board which at one time thought they were not answerable to anyone, so they try to do things without proper consultations from the responsible ministry that looks after them.

Under the stakeholder theory, the oversight role of sector ministries is important as sector ministries can help to ensure that the interests of all stakeholders are taken into account when making decisions about the SOEs. The power distance element of culture may support those in authority; however, if the oversight role goes against the cultural norm this may be viewed as norm violations, according to the model by Stamkou *et al.* (2019).

(e) Administrative protocols

The study identified several administration strategies to strengthen the accountability aspect of corporate governance in the Solomon Islands SOEs: (i) administrative policies, (ii) staff support, and (iii) training policies.

(i) Administration policies

Under the administrative policies, many of the participants discussed the need for clear policy guidelines, staff administrative policies, procurement policies, risk management, customer service policies, whistle-blower policies, policy guidelines for the *wantok* system and the enforcement of policies, rules and regulations.

PN6 suggests that there should be clear administrative policy guidelines in place for each SOE. However, PS12 observes that the administrative policies are already in place. Fairly applying the policy guidelines and ensuring that all staff are aware of the rules and regulations, especially in the recruitment of new staff is the issue. PS11 agreed with the point stated by PS12, the rules, procedures and policies are already in place but there are issues in properly or effectively implementing the policies to stop *wantok* system practices.

In terms of procurement policies, PN7 states that the larger SOEs have developed robust procurement policies and ethical codes of conduct which are of paramount importance. One of the larger SOEs has already taken steps to achieve this objective. PS8 shared the experience of setting up a procurement committee in the organisation to deal with the *wantok* system issues. To avoid the mutual reciprocity practices, they set up committees such as the procurement committee, housing committee, social club committee, and enforcement committee.

Concerning risk management, PS14 commented that they are currently undertaking a six months review and have implemented new initiatives to introduce and develop a “Department Risk Register” at the department level. Furthermore, they have completed a compliance register for the SOE and each department now has a risk register. Rather than simply maintaining controls, they went further and tested them. PS14 explained that their focus is on how they implement, evaluate, assess and take corrective measures for these processes.

With the customer service policy, customer services need to be applied fairly to every customer. PS6 stated that there should be no difference between serving a *wantok* and serving any other customer who is not the *wantok* of the server.

PS14 outlined their strategy to improve customer service:

Our strategy to improve customer service is to get the customers on board with us so that the organisation can resolve the customers' concerns and issues appropriately in a timely manner. We set up call services so that any complaints and issues raised by the customers will be referred directly to the management so that the management is aware of what is happening and would take appropriate action to improve the service, take against the staff if committing an offence, and also, an opportunity to educate the staff by providing awareness on matters that are important to customer service.

PS4 reflected on the compliance with the SOE policies:

There is a challenge in terms of the *wantok* system since people have not detached themselves from villages and families. Even having the processes in place, there may still be conflict of interest issues and therefore, policies like the whistle-blower policy may assist the staff to be more cautious about their decisions and actions. In addition to that, there should be policies that will mitigate the potential issues that arise from the *wantok* system, and this should be a policy that is applicable to all SOEs in the Solomon Islands.

PN7 thinks that if the policies, rules or regulations in place are not enforced then issues can still arise. Therefore, enforcing the policies, rules or regulations of the SOEs plus continuous awareness and training are important to strengthen the administrative protocols of the SOEs.

The uncertainty avoidance culture dimension of Hofstede (1980b) has a preference for stability and clear rules. The administration policies of the Solomon Islands SOEs involve steps and necessary approval procedures that reflect the desire and preference for stability in the decision-making processes to avoid inconsistencies and uncertainties. This reflects a high degree of uncertainty avoidance in the Solomon Islands SOEs which is indicative of this dimension's importance in the Solomon Islands.

(ii) Staff support

Under staff support, the participants discussed staff recruitment and staff appraisals. PS6 shared the experience on staff recruitment which saw the operational staff leader given the liberty to recruit part-time officers into his organisation instead of seeing such recruitments executed through the HR team. Such a process was also highlighted by PS8 who shared about the uncoordinated recruitment of staff, which resulted in more staff recruited than were required for the vacant positions. PS8 stated, however, that they have resolved this issue and that all recruitments, whether full-time or part-time, must go through the HR department or section. This is to avoid the practice of the *wantok* system.

PN3 argued that for performance and productivity, recruitment must be based on merit regardless of whether there are too many staff from a particular island or staff from any particular province in the Solomon Islands. PN3 further noted that certain organisations are using the province of origin as a criterion for recruitment. When making recruitment decisions, organisations should consider the population size of the provinces, the qualifications of applicants, and applicants who demonstrate that they are industrious.

PS2 suggested that fair recruitment may involve the use of recruitment agencies or companies such as the Pasifiki HR company in Honiara, Solomon Islands to do the recruitment on behalf of the organisation.

After discussing staff recruitment, the participants discussed the staff appraisals. PS13 shared his experience that the appraisal system enables them to pick up deficiencies and address them in terms of staff training and improvements for compliance purposes. In collectivist cultures, the focus might be on the group's welfare, and hence the leader in a position of authority would be expected to take care of the staff and support them (Hofstede 1980b).

(iii) Training policies

Under the training policies, the participants discussed the need for training on good governance, as well as corporate and professional and administrative training. PS5 emphasised the need for training in good corporate governance and awareness of other administrative policies. In addition to that, PS5 suggested that training on policies should be done on a regular basis.

PS7 stated that training in ethics and the procurement guidelines is necessary and suggested that such training should be reinforced repeatedly until staff are acquainted with the administrative policy guidelines. Finally, PN13 recommended that corporate and professional training is required to equip the staff to appreciate professionalism during their official working hours.

The stakeholder theory suggests that administrative protocols ensure that the interests of all stakeholders are taken into account when making decisions. The findings revealed that the SOEs can adopt the strategies presented under the three main themes: (a) SOE oversight, (b) Corporate governance, and (c) Administration, to address the *wantok* system influence on the corporate governance of the Solomon Islands SOEs. The next section presents the strategies to

reorientate the *wantok* system to support the corporate governance practices of the Solomon Islands SOEs.

As an overview of all the strategies discussed in this section, SOE participants are more focused internally whereas the NSOEs adopted a broader and external perspective. For example, the administrative protocol strategy for SOEs on procedures whereas the NSOEs focus on the sector ministries' oversight role. As with staff support, staff training might be expected to be promoted in collectivist cultures where there is a focus on the group's welfare. Support systems that invest in education, skill development, and sustainable solutions align with Hofstede (1980b) cultural long-term orientation.

5.7 Strategies to reorientate the *wantok* system to support corporate governance in the SOEs

The participants' responses regarding the strategies to reorientate the influence of the *wantok* system to support corporate governance included three main themes: (a) Authenticity of the *wantok* system, (b) Support system, (c) Re-positing the *wantok* system.

(a) *Authentic and non-authentic wantok system practices*

Under the authenticity of the *wantok* system, the participants discussed two main considerations: (i) the basic understanding of the authentic *wantok* system, and (ii) the non-authentic *wantok* system therefore, the removal of the *wantok* system misconception.

(i) *The basic understanding of the wantok system:* The basic understanding of the *wantok* system is important, especially in a Melanesian country like the Solomon Islands. Many of the participants discussed the importance of understanding the authenticity of the *wantok* system.

PN1 explains:

The *wantok* system has been practised throughout the Melanesian countries for a good purpose and therefore, I don't see it as a problem that many people or writers may have perceived it. The *wantok* system I know is that if you're in a position to help everyone, you should help all of them because they are all your *wantoks*, without preferences, and don't expect anything back, and it's more like engrained in our culture and in our blood. The only downside of the *wantok* system is when it is practised for corruption and money.

PN1 further states:

I don't think it will take two or three years to get rid of the *wantok* system, as it will be here for a longer period of time because it is more about doing good for families, tribes and the country at large.

Similarly, PN10 states that the Solomon Islanders cannot live without the *wantok* system because it is rooted in the culture of the people of the Solomon Islands.

(ii) *Removal of the wantok system misconception:* The removal of *wantok* system misconceptions is important so it is necessary to understand the authenticity of the *wantok* system and the mutated *wantok* system. Many participants interviewed revealed that the money factor distorted the *wantok* system practice and therefore, corruption and fraud occurred where the *wantok* system is abused. PN11 explains:

When *wantok* system is translated into monetary motives and influential decisions that benefit only a few, then the *wantok* system is abused and becomes a monetary system and no longer the traditional *wantok* system. Many of the things happening in the country

are done through corruptive means rather than those perceived to be as the *wantok* system.

Similarly, PN12 argues that what is happening in the country is not caused by the *wantok* system but by corruption. PN1 states that he does not see any issue with the *wantok* system. The only concern is the downside when it is being used for soliciting money and corrupt practices.

The stakeholder theory suggests that the authenticity of the *wantok* system can help to build trust and improve relationships between the SOEs and their stakeholders. By providing opportunities for the stakeholders to participate in the decision-making process, SOEs demonstrate their commitment to transparency, accountability and inclusiveness.

(b) Support system practices

The support system included three major points on the potential for the *wantok* system to support corporate governance in the Solomon Islands SOEs: (i) support environment, (ii) problem solving, and (iii) safety net.

(i) Support environment: Many participants interviewed discussed the *wantok* system as providing a support environment and that the *wantok* system can remove barriers. PS15 explains:

wantok system can be seen as a positive process to remove barriers. A good example was when staff came in their offices and identified themselves as *wantoks*. That, in a way had helped to strengthen the group dynamics.

In addition, PN7 further explains:

Most things within *wantok* system are good as it provides support. We should do away with the bad side of it. Some rules and regulations should be established so that *wantok* system practices do not infringe on the policies and procedures of the organisations. If parts of *wantok* system can assist people to work together then we should promote them by including them in the policies or work ethics of the organisation and exclude the other parts of it.

(ii) Problem solving: Many participants discussed the *wantok* system as an avenue for resolving disputes or problems. PS2 explains:

When you have problems or issues in one area and you need someone to deal with it, the *wantok* system comes into play and it helps to fix up the problem or brings back tranquillity within the organisation, or people come and reconcile, and you move on.

In addition, PS2 further states:

wantok system also helps to guide other staff who may be picked on because they are from a minority group, or they are facing some difficulties because people are picking on them. Then you could have the other ones that can step in and say “Oh! no, we're going too much out of it”. So, it brings some sort of equilibrium into the workforce as well.

PS15 explained how the *wantok* system had helped to solve problems within the organisation:

We had a situation whereby a group of people from a certain part of [... province] demanding a compensation from one of our colleagues. Since I am from another province in the Solomon Islands, I had to contact my colleagues from [... province] for guidance and advice on how to resolve the matter. We followed the advice and the process provided by colleagues and surely the matter was resolved.

PS15 further states that the *wantok* system is not bad. It is for us to see what or where it is relevant to use in the processes that we take and not to misuse it. A support environment aligns with the collectivist culture that supports members of the group (Hofstede 1980b).

(iii) *Safety net*: Under the safety net, the *wantok* system is considered to be a safety system. PN12 explains:

Wantok system is a safety system for times of need and times of disaster. This was seen over the years during the natural disasters like the cyclones, flash-floods and so on where it was difficult in getting the government services in the remotest parts of the country due to the geographical setting where the sea divided the Islands. People received encouragement and support through the *wantoks* until necessary support arrived. People in the remotest parts of the country depend on the *wantok* system for their living and survival and this will continue in the future generations.

The stakeholder theory suggests that a support system can help to build trust and improve relationships between the SOEs and their stakeholders. Promoting the principles of mutual support, cooperation and trust, the SOEs can demonstrate their commitment to transparency, accountability and inclusiveness. The safety net has similar aims to the support network where in a collectivist society there is a focus on caring for group members (Hofstede 1980b).

(c) Repositioning the wantok system

The potential for the *wantok* system to support corporate governance in the Solomon Islands SOEs can be feasible under three main areas: (i) understanding the *wantok* system as a way of life for the Solomon Islanders, (ii) employee incentives. (iii) repositioning the *wantok* system to align with corporate governance.

(i) Understanding the *wantok* system as a way of life for the Solomon Islanders.

To the NSOE participants, the *wantok* system as a way of life. PN11 explains that the *wantok* system is a way of life because it harmonises the way we live, the way we support each other in our communities and the way we grow our communities and families. PN11 provides an example:

For example, there is an NGO in the Solomon Islands that uses the *wantok* system to operate a savings scheme to help the rural women of a certain part of the Malaita Province. More specifically, this saving scheme is for the West Are'Are women who speak the same language. They recruited all the "Are'Are" speaking staff into their office, and they grew their business and now have accumulated funds of more than \$2 million. This is a clear sense of a real *wantok* system for a purpose that grows individuals, families and communities' savings. So that kind of a model could be one that the SOEs may need adopt but in their context so that they grow as a sector in the country. We are here for a purpose and not to grow our individual greediness, but we are in a community that is supposed to help everybody, communities, and the country to grow and be prosperous in all endeavours in life.

(ii) Employee incentives

Employee incentives can be a motivating factor to retain employees. PS15 shared the experience of how employee incentives brought the SOE's employee turnover target rate to an acceptable level. The incentives aimed at retaining employees to address high employee turnover in the SOE.

PS15 explains:

Our target every year for the staff turnover is 2%. We didn't even reach 1% for the last 10 years. However, after introducing the welfare incentives, we have reached a new low for the first time, a staff turnover rate of 0.034%, and to me there is an indication that staff are happy about what they are going to earn. And just recently last week, the Board approved that as of last month the SOE will be paying the monthly rentals direct into the staff's bank accounts. And it's up to them to manage their rental so like the cleaners and the gardeners, their rental rates now are SBD\$... a month, that's net. And for them, that's a huge money so they can look for only about SBD\$... rent and they can save \$... But those are the incentives given to staff to change their mindset. So that's what is happening

before and now, and already staff have expressed that they are very happy about these incentives.

(iii) Repositioning the *wantok* system to align with corporate governance.

The current *wantok* system practices can be re-oriented to align with corporate governance since the concept of oneness already exists in the SOEs. PN1 explains:

The feeling of oneness is already there, it is not just like that we've taken it offshore and adopted into our system. We can build the culture of patriotism in the SOEs, and it should start from the organisations themselves by including the good *wantok* system values with existing vision, mission and goals and organisational values of the SOEs.

PS16 states that there are positives for the *wantok* system already in the workforce, such as teamwork, respect, skills transfer, communication clarity, protecting one another from harm, and looking out for each other.

PS2 stressed the need for research on the *wantok* system to find ways to be in harmony with the governance system, policies and procedures applied in the Solomon Islands:

We've come 40 years after the same problem (*wantok* system), but we have to look and ask ourselves the question what is education for? This warrants a study into the *wantok* system to resolve the issue to be in harmony with the governance system, policies and procedures applied by the organisations in the country.

PS2 finally made a revealing statement:

If you want to make changes in the Solomon Islands, you should find the soul of the Solomon Islanders. Give them that breath of air that will change them. If you're not changing inside, it's hard to change the outside.

All the *wantok* re-orientation strategies discussed in this section had varying contributions by SOE and NSOE participants. For example, discussion about support systems' strategy was given prominence by both SOE and NSOE participants. In contrast, demystifying the *wantok* system misconception was mentioned more often by NSOEs.

This finding is relevant for the application of the stakeholder theory, as it ensures the interests of all stakeholders are taken into account by promoting the principles of mutual support, cooperation and trust. It reveals that a long-term orientation dimension of Hofstede (1980b) may be required to be promoted within the cultural system to make these changes. In summary, the findings revealed that the SOEs can adopt the strategies presented under: (a)

Authenticity of the *wantok* system, (b) Support system, and (c) Repositioning the *wantok* system to support corporate governance practices of the Solomon Islands SOEs.

5.8 Chapter conclusion

In summary, the Part I findings revealed that NSOE participants provided more statements about the strong influence of the *wantok* system on the four corporate governance practices (recruitment practices, appointment of the board of directors, awarding contracts and customer services) compared to the SOE participants. The findings also revealed that the *wantok* system obligation that has the greatest influence on these corporate governance practices is mutual reciprocity.

Part II findings identified two sets of strategies. Firstly, the strategies to strengthen the corporate governance system of the SOEs included the development of a set of guidelines on corporate governance for the SOEs, establishing stakeholder consultation/dialogue mechanisms, strengthening the sector ministries' oversight roles for the SOEs, and strengthening the administrative protocols of the SOEs. Secondly, the strategies to reorientate the *wantok* system to support corporate governance of the SOEs included understanding the authentic *wantok* system and removing the *wantok* system misconception, applying the *wantok* system as a support system and re-orientating the *wantok* system to support corporate governance of the SOEs. The next chapter presents the discussion on these findings.

CHAPTER 6: DISCUSSIONS

6.1 Introduction

This chapter presents the discussions on how the findings from this study address the research aim and answer the four research questions that were outlined in the Introduction chapter. This chapter also compares and contrasts literature and theory from Chapter 2 and Chapter 3 with the findings. To recap, the aim of the study is to explore how to enhance the corporate governance of the Solomon Islands SOEs through understanding the influence of the *wantok* system. The four research questions of the current study are: (i) What is the extent of *wantok* system influence on the corporate governance practices of the Solomon Islands SOEs? (ii) Which of the *wantok* system obligations have the greatest influence on the corporate governance practices of the Solomon Islands SOEs? (iii) What strategies can be adopted to strengthen the corporate governance system of the Solomon Islands SOEs? (iv) What strategies can be adopted to reorientate the *wantok* system to support the corporate governance practices of the Solomon Islands SOEs?

This chapter provides a discussion of the findings identified in Chapter 5 to answer the research questions in seven sections: Section 6.2 The extent of *wantok* system influence on the corporate governance practices of the SOEs; Section 6.3 The influence of *wantok* system obligations on the corporate governance practices of the SOEs; Section 6.4 Mutual reciprocity, the *wantok* system obligation that has the greatest influence on the corporate governance practices of the SOEs; Section 6.5 Two possible explanations for the *wantok* system influence on the Solomon Islands SOEs; Section 6.6 The strategies to strengthen the corporate governance system of the SOEs; and Section 6.7 The strategies to reorientate the *wantok system* to support corporate governance practices of the SOEs. The chapter concludes in Section 6.8.

6.2 The extent of *wantok* system influence on the corporate governance practices of the SOEs

Many studies on the Solomon Islands highlight that the *wantok* system is pervasive across urban-rural, cash-subsistence, and the public-private sectors (Morgan & McLeod 2006; Tuhaika 2007; Hauriasi & Davey 2009; Haque 2012; Devesi 2018). The system will continue to be influential in the Solomon Islands' social, economic and political spheres for many more

years (Nanau 2011). However, these studies had not established the extent to which the *wantok* system influenced the various organisations and sectors of the country, in particular SOEs.

In Part I – Findings of Chapter 5, the current study found contrasting results on the extent of *wantok* system influence on the corporate governance practices of the Solomon Islands SOEs from the questionnaire responses from two participant groups, SOE Group and the NSOE Group. Firstly, the results from the SOE Group (shown in Table 15 Section 5.2 in Chapter 5) showed that overall, 75% of the participants agreed that the extent of the *wantok* system influence on the corporate governance practices of the Solomon Islands SOEs was small while 25% thought that it was from moderate to large. These results indicated that the majority of SOE employees perceived that the extent of the *wantok* system influence on the corporate governance practices of the Solomon Islands SOEs was not that significant. Many SOE participants indicated in the interviews that they believed that *wantok* system influences had reduced over time. This point was illustrated by a member of the board of directors of an SOE, who commented that the nepotism of the past (as a form of *wantok* system practice) in job recruitments in the Solomon Islands SOEs, had decreased. The diminishing influence of the *wantok* system was a result of the reform program implemented in the early 2000s, which was a consequence of the enactment of the SOE Act in 2007, followed by the promulgation of the SOE Regulations in 2010.

The findings of this study also conforms with the CIPE (2009, p. 23) statement that was discussed in Chapter 2, ‘For countries where the institutions in the external environment are weak or absent, it is recommended that a strong internal corporate governance should provide value for companies and is worth pursuing.’ The Solomon Islands government pursued this approach in its reform program for the SOEs which has brought considerable rewards and benefits over the years since the early 2000s.

The outcomes from the promotion of strong internal corporate governance are also evident in a statement released by the Pacific Private Sector Development Initiative on the ADB Report which highlights that the Solomon Islands leads SOE profitability in the Pacific. The report further notes that the ‘Solomon Islands’ robust legal framework for state-owned enterprises (SOEs) has contributed to the financial success of its largest SOEs and generated the highest portfolio returns among nine Pacific Island countries’ (ADB 2023, p. 12).

Secondly, the results from the NSOE Group (shown in Table 16 Section 5.2 in Chapter 5) showed that 75% of the participants admitted that the extent of the *wantok* system influence

on the corporate governance practices of the Solomon Islands SOEs was moderate to large while 25% thought that it was small. These results indicated that the majority of the NSOE Group perceived the extent of the *wantok* system influence on the corporate governance practices of the Solomon Islands SOEs was quite significant.

A possible explanation for the contrasting perceptions of the two participant groups regarding the *wantok* system's influences on corporate governance was that the two participant groups responded from differing perspectives. For example, many of the SOE participants were senior employees of SOEs and included the board members, CEOs and the senior management staff who were there during the time of reforms, and therefore, had participated in the reform programs of the Solomon Islands SOEs. They had greater knowledge of the SOE reforms and understood the progress and the developments that had taken place since the inception of the SOE reforms in the Solomon Islands. Hence, their views were premised on this perspective.

The NSOE participants included senior government officers (not directly employed in SOEs), a professional accountant, a private entrepreneur, academic staff, and the CEO and directors of civil society groups. These participants may not have firsthand information about the SOE reforms and therefore, at times, may have dwelled on the events of the past in the periods prior to the commencement of the SOE reforms, and may not be aware of the gradual changes and the improvements in the Solomon Islands SOEs. NSOE participants' views might have lacked adequate information on the developments that took place since the inception of the SOE reforms. Nevertheless, they provide useful outsider views and provide insights into how the public may perceive corporate governance within SOEs. Alternatively, as the SOE participants were in leadership roles, they may have been reluctant to admit to inadequacies in their organisations. However, many participants from the SOE group commented that the influence of the *wantok* system was quite significant ten years ago. These statements imply that changes and improvements happened in the Solomon Islands SOEs over the past years, and because of these developments, the influence of the *wantok* system has been reduced significantly.

The relevant information about the changes and improvements in the Solomon Islands SOEs might not have transcended into the public arena for public knowledge. There were no regular progressive updates from the government/state on the Solomon Islands SOE reform programs to stakeholders. However, since the government then pursued the shareholder corporate governance approach during the SOE reform years, the communications concerning the progressive reform updates may have been made to the state who is the owner of the SOEs,

and only the state knew about the changes and the SOE developments. The other stakeholders may not have full knowledge of the progressive developments. Therefore, stakeholders may not have sufficient information about the developments within the Solomon Islands SOEs.

The present finding is significant since the data collected from the two participant groups (SOEs and NSOEs) demonstrates dichotomous perspectives to the same research question. The findings from the questionnaire are supported by the interviews. Only a small proportion of the SOE participants commented on significant *wantok* influences within SOEs. These diverse views are an important insight as without gathering data from the two groups this finding would have been obscured. It seems possible that these contrasting results by the two participant groups (SOE Group and NSOE Group) are due to the theory of information asymmetry. The SOE Group demonstrates awareness of the gradual developments within the SOEs following the inception of the reforms in the early 2000s, while the NSOE is not aware of the changes and therefore, continues to view SOEs as operating using pre-reform approaches. These diverse views are in line with Innis's (1991) explanation that such a situation can be referred to as the SOEs having the monopolies of knowledge. Monopolies of knowledge are one of the models of information asymmetry that explains the differences between the information shared within the organisations and the information on a similar subject shared outside of the organisations (Innis 1991), which may not always be the same. This conclusion needs to be tempered by considering that the SOE interviewees may have been overly optimistic about the changes as they have played a role in the reforms. One thing, however, that is clear from the findings of the study is that regardless of whether the *wantok* system influence on the corporate governance practices of the Solomon Islands SOEs is large or small, the influence of the *wantok* system is pervasive in the corporate governance of the Solomon Islands SOEs.

The findings on the influence of *the wantok* system on corporate governance conform with Turnbull (1997), and Rafiee and Sarabdeen (2012) who state that culture influences corporate governance. In addition, the findings in the current study also affirm Licht (2001) findings that culture influences organisation policies through values held by decision-makers and in the case of this study, the SOE leaders. The findings are consistent with Stamkou *et al.*'s (2019) multilevel theoretical model which shows in collective societies, practices which follow norms are accepted whereas norm violators may experience resistance. For the acceptance of corporate governance practices, it should be noted that there are some practices (such as practices of providing a welfare safety net) are norms with collective societal values and therefore should be accepted as it complies with the *wantok* system. However, there are other

corporate governance practices, such as practices of removing nepotism through mutual reciprocity *wantok* obligations, should be regarded as a violation of the *wantok* system's obligations. Such norm violators may experience resistance to the implementation of such corporate governance practices. There has not yet been any academic study on this topic in the Solomon Islands, nor perhaps in the Pacific region.

In summary, the extent of the *wantok* system influence on the corporate governance practices of the Solomon Islands SOEs appears to be reduced due to the gradual improvements in some practices that have resulted from the SOE reform program carried out by the Solomon Islands government in the early 2000s. The recent ADB Report (2023) stating the Solomon Islands leads the Pacific on SOE profitability is a testament to the developments in the Solomon Islands SOEs. The contrasting results of the two participant groups (SOE Group and NSOE Group) may be due to the theory of information asymmetry. It is recommended that progressive reports on the SOE developments should be released not only to the government/state as the owner but to the public as well so that other stakeholders are informed of the updated information on the developments of the Solomon Islands SOEs. A stakeholder approach should be considered for the governance of the SOEs so that stakeholders can also receive progressive updates on the SOE developments. Since the study focuses on the extent of the *wantok* system influence on the corporate governance practices of the Solomon Islands SOEs and did not go further into identifying the reasons for the contrasting results, further studies on the extent of the *wantok system* influence on the corporate governance of the Solomon Islands SOEs to identify the cause of differences between the two participant groups (SOE and NSOE groups) are therefore recommended. The next section discusses the influence of the *wantok* system obligations on the corporate governance practices of the SOEs.

6.3 The influence of *wantok* system obligations on the corporate governance practices of the SOEs

In Part I – Findings of Chapter 5, the study found that the influence of *wantok* system obligations on the corporate governance practices of the SOEs was present in the four corporate governance practices: recruitment practices, appointment of the board of directors, awarding contracts, and customer services.

6.3.1 Recruitment practices

The study found that the recruitment practices of the SOEs were influenced by the four *wantok* system obligations to varying degrees. Each of the four *wantok* system obligations is discussed in turn: language and area of geographical origin²⁵, kinship, social associations or religious groups, and mutual reciprocity.

(i) Language and geographical area of origin

The language and geographical area of origin also had influences on the recruitment decisions of the SOEs. In the Solomon Islands, the languages can be identified with the geographical area of origin. For example, the Kwara'ae speaking people live in the West and East Kwara'ae in the central region of Malaita province. So, when hearing people from Kwara'ae speaking in the Kwara'ae language, the Solomon Islanders can tell that those who speak in Kwara'ae language are from the central region of Malaita province in the Solomon Islands. This is how the language and the area of geographical origin can be used to identify people's origin in the Solomon Islands. In Honiara, the capital city of the Solomon Islands where the SOEs are located, people who speak different languages and originated from different parts of the Solomon Islands have lived there for many years, especially for work, education and in search of a better life (Lamontagne 2019).

Responses of participants in the study have enabled the combination of two *wantok* system obligations because they identify that language and geographical area of origin are linked and connected. The study found that the majority of staff recruited in the SOEs speak certain languages from particular provinces in the Solomon Islands. For example, in almost all the SOEs, many employees are from one of the largest provinces in the Solomon Islands. Certain provinces in the Solomon Islands have bigger populations and because of that, also have a larger number of people educated and qualified who entered the labour market and competed for job opportunities. The study revealed that the influence of language and geographical area of origin occurred when key people in the recruitment process were from the same language groupings and islands. For example, when the chairperson of the interview panel, board or CEO spoke the same language and was from the same island as the interviewed candidates, there was a greater likelihood of the person being employed.

²⁵ As mentioned in the findings, the participants grouped language and geographical region together.

(ii) Kinship

The kinship obligation influenced the recruitment practices by way of senior managers recommending their children for jobs in the same SOE. For example, a senior management staff of an SOE confirmed that there were instances in the past where managers recommended their children to take up jobs in the SOE. Another kinship practice found in the current study is the provision to allow employment of one child/offspring of a parent working in one of the SOEs in the Solomon Islands. In this case, the SOE has in place a policy that deals with such recruitment practices. The recruitment is based on merit to include the qualifications required for the position, and the child must not work in the same department as that of his/her parents. A similar practice was also seen in another SOE, where the mother and her daughter worked in the same SOE. In this case, the daughter pursued her degree studies, applied for a job and went through the normal recruitment process to secure a job in the same SOE. The difference between this case and the previous case is that there was no policy in the latter case as compared to the former. An SOE board member summed up his view by stating that the recruitment of *wantoks*, uncles, nieces, nephews and others is common since those in the key positions in the recruitment process have the network to use when vacancies are available in the SOEs (Rohe et al. 2017).

(iii) Social associations or religious groups

In the Solomon Islands, religious groupings under the social associations or religious groups of the *wantok* system obligations also had some influence on the recruitment practices. Participants acknowledged the Solomon Islands as a Christian country (Lamontagne 2019) and therefore, belongingness to a particular church grouping may have influence the recruitment practices of the SOEs. For example, if the CEO or people in recruiting roles were from a particular church group, the first people to know about vacancies would be people or friends from the same church group. The people or friends in the same church group may benefit from guidance and advice on how to apply and successfully go through the interview process.

(iv) Mutual reciprocity

Mutual reciprocity in the recruitment practices in the SOEs did not appear to be as common as the other factors mentioned above. The study identified two cases of mutual reciprocity in the SOEs' recruitment practices. Firstly, the influence of mutual reciprocity happened when friends were in key positions of influence. The key positions in the SOEs can be the board of directors, senior managers, HR managers, staff members in the recruitment

committees or the interview panels, or even those who are influential in the SOEs. In a case found in the study, the chairperson of the board pushed for his friend to be appointed, and with support from the board, the decision of the chairperson was endorsed. Secondly, the influence of mutual reciprocity occurred in the case of recruiting extra staff even though the positions were not initially included in the vacancy notices. For example, the SOE needed to recruit two new staff but instead, ten new staff were recruited. Such a recruitment style was to provide jobs for friends to help someone in need. This case posited the social capital aspect of the *wantok* system, a customary system where individuals cooperate to assist each other when faced with challenges (Ha'apio 2019). Putnam (2000, p. 19) defined social capital as the 'connections among individuals—social networks and the norms of reciprocity and trustworthiness that arise from them'.

6.3.2 *Appointment of the board of directors*

The appointments to the board of directors in the Solomon Islands SOEs were influenced politically as noted by Namoga (2016), who stated that most cases of the appointment of the board of directors were based on *wantok* system affiliation and political patronage²⁶. The study found that the appointments of the board of directors were influenced politically and through the *wantok* system due to the following: The board of directors were *wantoks* of the chairperson of SOE boards; the board of directors, especially chairpersons, were close friends²⁷ of the politicians; the accountable ministers have different preferred candidates for board of director positions; and the appointment of board of directors was based on political patronage - the persons who were key people in the Ministers' political campaign parties. Tuhaika (2007) revealed that the minister had always appointed backbench members of parliament to the chair of the SOE board, and usually the members of the board were supporters of the government of the day. When these comments are viewed from a *wantok* system perspective, the close friendship may be an association formed through different aspects of the system, such as, common language, kinship, geographical regions or religious group. The current study found that the reasons for the political and *wantok* system influences on the appointment of the board of directors of the SOEs was because of the mutual reciprocity obligation. This was well

²⁶ Political patronage refers to the government, through the minister responsible, awarding positions to individuals who were their strong supporters during their election campaigns.

²⁷ Friends are inclusive of all classifications under *wantoks*, as well as beyond *wantoks* - mutual relationships develop outside of the ingroups, they may be with other ingroups or even with the expatriates living in the Solomon Islands. For example, they may be friends or people who have supported the politicians during political campaigns or members of the politicians' political parties.

described by a director of an academic institution stating that mutual reciprocity is practised where there is a political relationship.

6.3.3 Awarding contracts

Favouritism in the awarding of contracts is not uncommon in the Solomon Islands. Awarding a contract is the process of selecting successful bidders to carry out specific contracts for services in the SOEs. The selection of qualified bidders is an important part of the procurement process because it helps to ensure that the most qualified bidders are awarded the contracts.

The study found that awarding contracts to close friends was practised in the SOEs. This practice was also identified by Ha'apio (2019).

In some SOEs, the management has the power to issue contracts within a specified range, for example, contracts up to ten thousand dollars SBD (approximately US\$1,200). The procedure of granting power to the management to issue contracts within a specified amount range (in dollars) allowed management to award contracts to members of their *wantoks*. Contracts that are higher than ten thousand dollars have to go through the tender and the bidding process. Even some of the service contracts of the SOEs were influenced by individuals in decision-making positions such as boards (Namoga 2016). The current study confirmed the work of Ha'apio (2019) that the awarding of the contracts was influenced by mutual reciprocity obligation²⁸. The findings suggest that to award the contract to members of their *wantoks* would be seen as adherence to the *wantok* norms and the SOE's management would be perceived as having power and averting moral outrage and, consequently, should be supported. In contrast, SOEs' management awarding a contract to others outside of their *wantoks* would be seen as violating the norms. As leaders they would be considered as lacking power to avert moral outrage in their community and, therefore, not supported. These findings are consistent with Stamkou et.al (2019).

6.3.4 Customer services

The study found many of the SOE customer services were influenced by mutual reciprocity obligations that included customer service preference, favourable treatment to their *wantoks* (which includes their close friends), bypassing and tampering with the reading

²⁸ This reciprocity obligation was to language or geographical area of origin, kinship, and social associations or religious group *wantoks*.

instruments, and services provided for extra cash. Preferential treatment were extended to serving *wantoks* and friends²⁹. Hauriasi and Davey (2009) stated that this practice is common in government offices and many organisations even if it involves ignoring company procedures. In a similar vein, the CEO of an SOE commented that good customer service was overtaken by the *wantok* system. The favourable treatment to *wantoks* or friends occurred when there should have been disconnections in the services due to outstanding bills. In such instances, services were not disconnected but *wantoks* were advised to settle their accounts. Another favourable type of treatment to *wantoks* or friends was bypassing or tampering with the reading instruments. Bypassing and tampering with the reading instruments were favourable treatments provided to *wantoks* or friends, even after services were disconnected so that they would pay less in their monthly bills. Another form of favourable treatment to *wantoks* or friends was the services provided for extra cash. In these cases, the SOE staff negotiated with *wantoks* or friends would pay them cash and they would do something about their outstanding accounts. The senior management staff of the SOEs, however, confirmed that when such practices were identified, relevant measures were taken to eliminate such breaches of appropriate customer service issues.

In summary, all four *wantok* system obligations, language and geographical area of origin, kinship, social associations and religious groups, and mutual reciprocity influenced the recruitment practices of the SOEs. However, the appointment of the boards of directors, awarding contracts and customer services were influenced only by the mutual reciprocity obligation of the *wantok* system. The discussions on the influences of the *wantok* system obligations on the four corporate governance practices of recruitment, appointment of the boards of directors, awarding contracts and customer services revealed that the mutual reciprocity obligation has the greatest influence on the corporate governance practices of the SOEs. The social capital aspect of the *wantok* system, where individuals cooperate to assist each other when faced with challenges, is seen in the mutual reciprocity commonly practised in the Solomon Islands SOEs.

The findings are consistent with Stamkou *et al.*'s (2019) multilevel theoretical model that supports the notion that the perceived power of the persons following corporate governance practices which are consistent with the cultural norms are supported as leaders because their behaviours are consistent with the norms of collectivist cultures. Conversely, the current study

²⁹ See footnote on prior page regarding friends.

finds that some SOE leaders, through power perception and strong adherence to *wantok* system cultural norms, are not following sound corporate governance practices since the corporate governance practices are not consistent with the cultural norms. SOE leaders are aware that not adhering to cultural norms may lead to community outrage and therefore, may experience resistance and reduced support as leaders of their communities.

In tight cultures, people respected the tightness of adherence to the norms and therefore respected SOE leaders when the leaders complied with the *wantok* system norms. The findings are also consistent with vertical collectivist cultures where people respect the hierarchy. Respect for the hierarchy is similar to the power distance of Hofstede's cultural dimension - people do not normally question their superiors and those who are with higher status in work and/or communities or possess positions of power. The next section is dedicated to discussing the significant influence of mutual reciprocity.

6.4 Mutual reciprocity, the *wantok* system obligation that has the greatest influence on the corporate governance practices of the SOEs

The study revealed mutual reciprocity as the *wantok* system obligation that has the greatest influence on the corporate governance practices of the Solomon Islands SOEs. In all four corporate governance practices (recruitment practices, appointment of the board of directors, awarding contracts, and customer services) mutual reciprocity was present. In the literature, the notion of reciprocity is to form and maintain relationships (Scroope 2016). Ha'apio (2019) refers to individuals cooperating to provide support in the face of challenges. Assistance to others comes with the expectation that something of equal value is owed and will be returned in future. There is an expectation that members from the same *wantok* (language or geographical area of origin, kinship, social association or religious group, or having a mutual reciprocity obligation) will be willing and available to help one another (Scroope 2016). Nanau (2011) explained that giving and receiving are the two sides of reciprocity. Berg *et al.* (1995) further stated that there are both positive and negative forms of reciprocity that exist and that must be considered when discussing the subject.

In the case of this study, and taking it from the SOE perspective, the reciprocity has been posited as negative since it was regarded as the *wantok* system obligation that influenced the SOE leaders' decisions and, therefore, not in compliance with sound corporate governance practices. These findings support Stamkou *et al.*'s (2019) multilevel theoretical model results

where adherence to the *wantok* system norm takes precedence over corporate governance practices to avoid loss of perceived power and to mitigate any community outrage. The study showed that mutual reciprocity was practised across organisational levels from the appointment of the board of directors, staff recruitment, awarding contracts and customer services. A possible explanation for reciprocity having the greatest influence on the corporate governance of the Solomon Islands SOEs is because it extends far beyond the *wantok* system obligations of language and geographical area of origin, kinship and social associations or religious groups. These obligations which are confined to the language and geographical area of origin, kinship and social associations or religious groups – are obligations that are limited within these specific domains.

Observing the case of reciprocity in Chinese culture, a collectivist culture similar to the *wantok* system culture in the Solomon Islands may explain these differences. Wu (2018) explained that in Chinese culture, the give-and-take within the familial relationship groups is not regarded as reciprocity but as obligation. Relationships within a family are sacred and therefore bound by obligation to reciprocate (Ambwani 2014). Exchanging resources within family is therefore a moral imperative (Wu 2018), and the familial relationships are regarded as ‘expressive ties’ (Hwang 1987). ‘Expressive ties’ are recognised as pathways of non-work-related ties, and workers usually exchange feelings, satisfy their need for care and engage in social activities that help develop social support and a sense of belonging (Wang *et al.* 2022), such as in familial relationships.

On the other hand, Wu (2018) explained that reciprocity in Chinese culture only exists within non-familial relationships, which include friends, acquaintances, sellers, buyers or strangers. Hwang (1987) identified two types of non-familial relationships: (i) ‘Instrumental ties’ are the work-related ties based on formal work relationships through which workers exchange necessary information, advice, expertise and informal, physical or financial resources between individuals (Wang *et al.* 2022). For example, temporary ‘instrumental ties’ are established to attain material goals, and the transactional relationships include the relationships between businesses and their customers (Wu 2018); (ii) ‘Mixed ties’ maintain a certain expressive component such as reciprocity relationships with friends, neighbours, classmates, colleagues, teachers and students, and people sharing a birthplace (Wu 2018). They are voluntary and particular to common interests or backgrounds. For example, in Western culture, ‘mixed ties’ can include school alumni, fans of the same sports team and, at times, those with similar political views.

Wu (2018) explanation of the differences between reciprocity that exists only in non-familial relationships and not in the familial relationships in the Chinese culture appears appropriate to the current study and may be associated with vertical-horizontal positioning within the collectivism culture.

Vertical collectivism relates to the importance of hierarchical relationships and obligations to authority figures and this is apparent in the current study where SOE leaders face a dilemma in their decision-making when they are not in compliance with sound corporate governance practices (for example, the direct recruitment practices by the SOE leaders instead of following the corporate recruitment procedures) to maintain relationships with friends and *wantoks*.

On the other hand, horizontal collectivism relates to the importance of group harmony and cooperation reflected in the *wantok* system's emphasis on mutual reciprocity and obligation extended to families and communities. The social capital aspect of the *wantok* system where people assist each other when faced with challenges is similar to the concept of horizontal collectivism where group harmony and cooperation are prioritised over individual interests.

Further research should be done to investigate reciprocity based on this explanation in the context of the Pacific Island cultures. Pacific Island countries such as Fiji, Samoa, Papua New Guinea and Solomon Islands are collectivist, vertical, and display cultural tightness. Therefore, studies on the obligations of reciprocity are important and deemed beneficial for these countries and other Pacific Island countries.

Wasti *et al.* (2011) stated that in a collectivist culture or society, the obligations of reciprocity permeate through many facets of life and are difficult to break (Wasti *et al.* 2011). Therefore, Wu (2018) explanation of how reciprocity is classified only under non-familial relationships and not in the familial relationships has provided some clarity and new information for the study. Under Wu (2018) classification, most of the cases of reciprocity in the Solomon Islands SOEs were under the 'mixed ties' group (non-familial relationships) where the SOE leaders had established reciprocal ties or relations with, for example, friends and political supporters. In the case of this study, as discussed in the previous section (Section 6.3), the mutual reciprocity obligation was practised where friends, and friends in the political relationship existed. This included the appointment of friends to the board of directors of the SOEs, awarding contracts to friends, and customer services to friends who were treated more

favourably than others. It is obvious from the discussions in Section 6.3 that mutual reciprocity influenced the relationship practices that were related to friends and not language and geographical area of origin, kinship, and social associations and religious groupings. The language and geographical area of origin, kinship and social associations or religious groups were regarded as the familial relationship obligation under the Chinese culture (Wu 2018). This explains why reciprocity is not considered under the familial relationships in Chinese culture, but an obligation.

Since forming and maintaining relationships, exchanging something of equal value, willingness and the availability to help one another are important obligations to reciprocate within familial relationships and are part of daily life and practices of the people in the Solomon Islands, it is easy to apply the concept to any non-familial relationships. This makes the *wantok* system of mutual reciprocity more widespread and adaptable than any of the other three *wantok* system obligations of language and geographical area of origin, kinship, and social associations and religious groups in the Solomon Islands SOEs.

In summary, the *wantok* system obligation with the greatest influence on the corporate governance practices of the Solomon Islands SOEs is mutual reciprocity. SOE leaders faced a dilemma in their decision-making as at times they were not in line with the corporate governance practices to maintain relationships with friends and *wantoks*. Wu's Wu (2018) explanation of how reciprocity is classified only under non-familial relationships and not in familial relationships may be significant for this study. If the Chinese concept of reciprocity is applied under the *wantok* system, the giving and receiving practised in familial relationships or in family, clan or tribal groupings should be considered as familial obligation and not reciprocity, and therefore, the concept of reciprocity should be applied to non-familial relationships such as friends and colleagues. Next, the *wantok* system obligation of mutual reciprocity is more favourable to the Solomon Islanders and therefore, it is more widely practised in the Solomon Islands than the other *wantok* system obligations. Finally, the social capital aspect of the *wantok* system where people assist each other when faced with challenges made it a common practice in the Solomon Islands. Prior to discussing the strategies to strengthen the corporate governance system of the SOEs, the next section discusses the two possible explanations for the *wantok* system's influence on the Solomon Islands SOEs.

6.5 Two possible explanations for the *wantok* system's influence on the Solomon Islands' SOEs

There are two possible explanations for the *wantok* system's influence on the corporate governance practices of the Solomon Islands SOEs. The first possible explanation is at the country level and the second at the individual level of SOE leaders.

The Solomon Islands' *wantok* system is a collectivist and tightness culture. The indigenous people of the Solomon Islands from birth were integrated into strong cohesive ingroups in various communities on the different islands and in the provinces of the Solomon Islands. The collectivist culture is seen in preferences given to the group over what the individual wants and tightness is seen in terms of strong adherence to norms and low tolerance for norm-deviant behaviours. Stamkou *et al.* (2019) found that a country's collectivism and tightness culture interact with the violation of the norms and this moderation effect decreases the level of leaders' support. Hence, it may be posited that where there is both collectivism and tightness, it becomes virtually impossible for the leader to change practices and maintain support, as such changes are seen as violating societal norms. Relating this finding to the current study, there are two scenarios identified in Section 3.8.1 of Chapter 3. For the proposed scenario 2, there will not be leader support in situations where there is adherence to *wantok* system norms but the corporate governance practices are not consistent with *wantok* system norms. The converse will occur for situations similar to scenario 1.

Therefore, there will be some progress in an alignment between *wantok* practices and corporate governance practices of SOEs. This alignment should be experienced by SOEs for some corporate governance practices, that is, scenario 1 based on the evidence by Stamkou *et al.* (2019). However, the four *wantok* obligations that are practised, as found by this study, would not be aligned with *wantok* system norms. Consequently, significant collaborative efforts on the part of SOE executives through developed strategies will be essential to align the four selected *wantok* practices with sound corporate governance practices.

Solomon Islands communities comprise of language and geographical area of origin, kinship and social associations and religious groups that share the same values, norms and traditions which include respect for one another, caring for the vulnerable like the elderly, women and children, and giving and sharing resources when needed among members (Ha'apio 2019). The respect for the traditional vertical structure and tribal leaders is still maintained, and the cultural tightness in matters relating to tribal issues such as reciprocity and goodwill is still seen today in the communities (Nanau 2011). This is similar to the tribal villages of the Fijian

society, where the economic property or resources are shared and social organisation is very communal (Evason 2016). Evason (2016) further stated that by the custom of *kerekere*, any relative or neighbour can request a favour or ask for something that they need, and it will be willingly provided without any underlying expectation of repayment. In another Pacific Island country, Samoa, their cultural system of governance known as the *fa'a Samoa* or *fa'a Matai* require people to be communal and share their goods rather than prizing their individual ownership (Scroope 2016). In Papua New Guinea, the *wantok* system encourages a notion of reciprocity in forming and maintaining relationships. Assistance to others comes with the expectation that something of equal value is owed and will be returned in the future. There is an expectation that members from the same *wantok* will be willing and available to help one another (Scroope 2016). This is similar to the practice of caring for the vulnerable like the elderly, women and children, and giving and sharing resources when needed among members (Ha'apio 2019).

The discussion of mutual reciprocity in the previous section (Section 6.4) provides further understanding of mutual reciprocity and the reason for the *wantok* system obligation that has the greatest influence on the corporate governance practices of the SOEs. The brief discussion of mutual reciprocity in this section is to understand it in the context of social capital where the obligation to reciprocate is crucially important in peoples' lives, especially in a collectivist culture like the *wantok* system in the Solomon Islands.

The *wantok* system is related to social attributes such as trust, obligation, reciprocity, responsibility and goodwill (Nanau 2011). These social attributes are social norms in the *wantok* system. The social capital aspect of the *wantok* system where *wantoks* or individuals cooperate to assist each other when faced with challenges (Ha'apio 2019) is also an influential factor. Social capital is the connections between individuals — social networks and the norms of reciprocity and trustworthiness that arise from them (Putnam 2000). This case posited the social capital aspect of the *wantok* system, a customary system where individuals cooperate to assist each other when faced with challenges. SOE leaders in higher authority and power usually strive to adhere to and fulfil these social norms or face moral outrage from the community. The adherence to social norms was strong during the pre-European contact era as discussed in the literature review, and violating these strong traditional norms usually resulted in severe sanctions. Violators of the norms might be treated as alien to the ingroups, kinship, tribes or communities (Arua & Eka 2002). The SOE leaders, as part of their cultural upbringing, will feel an obligation to adhere to cultural norms and practices. For example, the SOE leaders

who had the trust of their communities, wanted that support to continue so they undertook activities which supported the members of their communities whenever opportunities arose. Strong adherence to the cultural norms led to the recruitment practices, appointment of the boards of directors, awarding contracts and customer services being influenced by the *wantok* system as discussed in Section 6.3 of this chapter. Not doing so, might have brought disrepute to the SOE leaders in the community, who may be perceived as lacking power and not be supported as good leaders by the same community, tribe or family.

In the Solomon Islands, the culture of the tribal communities during the pre-European contact era can be identified as vertical collectivists and a tightness culture. The emphasis was more on hierarchy and people honoured and respected the traditional structure and authority. During the pre-independence period, the strict adherence to the traditional norms was still maintained but gradually weakened due to the influence of three ideologies; liberalism, capitalism (economic value – profit) and Christian practices introduced during the period (Nanau 2011; Lamontagne 2019). Despite these influences mutating the *wantok* system, people still held on to the traditional norms during the post-independence period. The *wantok* system is slowly shifting from the vertical towards the horizontal collectivism culture characterised by Auyeung and Sands (2003). This shift is seen in the city and the urban centres in the Solomon Islands. People speak more about equality and cooperation among individuals rather than hierarchical relationships. Furthermore, there is a tendency towards looseness and away from tightness as described by Triandis (1989). People often speak more about equality, similar relationships, and respect in developing good relationships between managers and subordinates. The cultural tightness is slowly moving towards looseness practices in the Solomon Islands but may be viewed at present as a dichotomy of practices. For example, this shift can be observed or seen in the city and the urban centres. The looseness culture characterised by weak social norms and high tolerance is common in the city and urban centres. However, by comparison, the author has observed that vertical collectivism and the tightness cultural practices are still seen in rural villages and communities. There is still adherence to strong social norms and low tolerance for deviant behaviour. It may be deduced from this information, that the level of influence of the *wantok* system may be dichotomised into (1) a city and the urban centres group and (2) rural villages and community groups.

Many of the participants confirmed that they maintain strong connections to their cultural groupings and families in the rural villages and communities. Every year, many of the SOE leaders spend their annual leave and holidays in the rural villages and communities with their

parents, relatives and friends. Because of the retention of traditional norms and practices, the holidaying SOE leaders have an obligation to adhere to and comply with tight cultural norms of trust, obligation, reciprocity, responsibility and goodwill practices. It is incumbent upon the SOE leaders to prove themselves not only as leaders in the SOEs but leaders in their ingroups, tribal groupings, villages and communities. Triandis and Gelfand (2012) explain that in collectivistic cultures, self-sacrifice for ingroups like *wantoks* is expected and there is cooperation within ingroups. Therefore, Stamkou *et al.* (2019) found that not adhering to tight cultural norms may result in not only moral outrage but also a perceived lowering of the SOE leaders' power position. Both of these outcomes lead to reduced support for the individual as a community leader (Stamkou *et al.* 2019).

The second possible explanation for the *wantok* system influence on the corporate governance practices of the Solomon Islands SOEs is at the individual level of SOE leaders. SOE leaders possess certain privileges when in positions of power and authority. It is perceived that the SOE leaders have discretionary powers to act and make decisions for the good of the SOEs. The discretionary powers empower the SOE leaders to make certain decisions within the SOEs. Power perception, as explained by Michener *et al.* (1973) is the function of the control that a person exercises over their own and another's outcome; and the perception of the control person is to influence others (Anderson *et al.* 2012).

SOE leaders are vested with controlling powers and are aware that they have the capacity to influence decisions. Examples were seen where a CEO directly recruited workers who were *wantoks* (or friends) since he knew that was within his discretionary power. Further, a CEO of an SOE knew that the former CEO recruited most of the non-technical staff (*wantoks*) from his region in one of the provinces in the Solomon Islands. In this example, the CEO can be seen as violating sound corporate governance practices (for example, not following the normal recruitment procedures) due to his decision to recruit *wantoks*, or friends, through the discretionary powers accorded to him. Under the power distance dimension of Hofstede's cultural dimension, people generally accepted such practices, as the CEO was in a position of power and authority. The employees perceived this recruitment style as acceptable since the CEO was their leader or boss – the one who exercises control or authority; one who directs or supervises the employees. Ordinary people are afraid of disagreeing with managers and they comply with managers' decisions (Hofstede 1980a). This is in line with Hofstede's cultural dimension on the Power Distance Index (PDI). Refer to Section 3.3.3 in Chapter 3, theoretical framework.

Hofstede did not study the Solomon Islands, however, the current study describes the characteristics of Hofstede's different cultural dimensions (Hofstede 2011) that can be seen in the Solomon Islands context. Situating the Solomon Islands on Hofstede's six cultural dimensions revealed that firstly, the Solomon Islands is high on the Power Distance Index (PDI). Such cultures accept an unequal, hierarchical distribution of power, and people understand 'their place' in the system, subordinates expect to be told what to do. Hofstede (2011) identifies high PDI cultures as those where corruption occurs frequently and scandals are covered up, and income distribution in society is very uneven. Secondly, the Solomon Islands is a collectivistic culture. People are born into extended families, clans or tribes which protect them in exchange for loyalty. In other words, people are loyal to the ingroups (*wantoks*) to which they belong, and, in exchange, the ingroups defend their interests. People care and take responsibility for one another's well-being (Hofstede 2011). Thirdly, the Solomon Islands is lower than average in Masculinity (MAS). The Solomon Islands has both patrilineal and matrilineal cultures. Matrilineal cultures follow the female lineage in genealogy while patrilineal cultures follow the male lineage in genealogy (Corrin & Baines 2020). Men and women are modest and caring.

Fourthly, the Solomon Islands is lower than average in Uncertainty Avoidance (UAI). In politics, citizens tend to view authorities as acting competently (Hofstede 2011). The lower-than-average level of UAI may have both positive and negative implications for corporate governance practices in the Solomon Islands SOEs. Solomon Islanders may promote tolerance and openness to different opinions and ideas which can be beneficial for decision-making processes. Being more tolerant of change seems counter to trying to improve corporate governance when there are such strong *wantok* system influences which appear to some extent to be entrenched. That is change should not be a difficult process. On the other hand, the negative implications for corporate governance practices in the Solomon Islands SOEs may relate to the conflicts of interest and lack of accountability and transparency in the decision-making processes as well.

Fifthly, the Solomon Islands is high in long-term orientation. Solomon Islands cultures encourage delaying gratification or the material, social, and emotional needs of their members. Therefore, introducing changes slowly would be a good management approach. Solomon Islanders focus on the future in a way that delays short-term success in favour of success in the long term. The cultures emphasise traits such as persistence, perseverance, thrift, saving, long-term growth, and the capacity for adaptation. Traditions are adaptable to changed

circumstances and family life is guided by shared tasks (Hofstede 2011). Lastly, the Solomon Islands is low in indulgence (restrained). Solomon Islands cultures tend to suppress the gratification of needs and regulate them through social norms. People are more likely to save money and focus on practical needs (Hofstede 2011). There is lower importance regarding the individual pursuit of leisure, but people do spend more time with family members and relatives.

The findings of the study revealed that Solomon Islands is one of the developing countries in the Pacific Islands, and like its neighbours, exhibits a high Power Distance Index (PDI), low Individualism Index (IDV) and is therefore high in collectivism, low in Uncertainty Avoidance Index (UAI), high in long term orientation, and low in indulgence (restrained) of the Hofstede's six cultural dimension.

These findings agree with the conclusion of Rafiee and Sarabdeen (2012) study on the cultural influence in the practice of corporate governance in emerging markets except for two results. Firstly, Rafiee and Sarabdeen (2012) study used Hofstede's original four cultural dimensions while this study looks at six cultural dimensions - two additional cultural dimensions (Long-term versus short-term orientation and indulgence versus restraint) are included in this study. Secondly, Rafiee and Sarabdeen (2012)'s study reported a high Uncertainty Avoidance Index (UAI) while this study reported a lower-than-average Uncertainty Avoidance Index (UAI). Hofstede's cultural dimension country comparison in Section 3.3.1 of Chapter 3 saw the scores for both Fiji and Indonesia positioned at 48 which is slightly lower than the average.

However, this study's findings were based on the assumed ratings of Fiji and Indonesia. The assumed ratings for the last two cultural dimensions were based on the ratings of Indonesia. There may be differences if there were ratings for Fiji. Since there were no ratings for Fiji, this study adopted the ratings for Indonesia in lieu of Fiji. However, actual ratings for the Solomon Islands can only be possible when Solomon Islands data is available for inclusion in the listed countries for Hofstede's cultural dimensions. In this way, a more accurate rating of the Solomon Islands can be ascertained.

In summary, the influence of the *wantok* system still exists in the Solomon Islands SOEs. Two possible explanations were discussed in terms of the *wantok* system's influence on the corporate governance practices of the Solomon Islands SOEs. Firstly, the *wantok* system is a collectivist and tightness culture and non-compliance with sound corporate governance practices has a direct moderating effect on leaders' support. This situation makes it very

difficult to bring about changes in practices that are contrary to the existing norms (inconsistency between *wantok* norms and sound corporate governance practices). SOE leaders do have deep respect for their cultural norms and strongly adhere to following tight cultural practices (Stamkou *et al.* 2019). In addition, the social capital aspect of the *wantok* system, helping each other when faced with challenges, does have strong influences in the Solomon Islands. This traditional practice of obligation to reciprocate has been part of the SOE leaders' lives. Secondly, SOE leaders lower support through the reduced perceived power position of the SOE leaders when the corporate governance practices are not in compliance with the *wantok* system practice in a collectivism dimensions society (Stamkou *et al.* 2019). Power Distance also explains why SOE leaders in the Solomon Islands SOEs have taken decisions that lead to non-compliance with sound corporate governance practices. Situating Solomon Islands on Hofstede's cultural dimension aids in understanding why the corporate governance practices in the Solomon Islands are influenced by the culture of the *wantok* system. The next section discusses strategies to strengthen the corporate governance system of the SOEs.

6.6 The strategies to strengthen the corporate governance system of the SOEs

Part II of the Findings chapter (Chapter 5) specifically identified the strategies to strengthen the corporate governance system of the Solomon Islands SOEs as follows: (i) strengthening the government's oversight role, (ii) strengthening the sector ministries oversight roles over their respective SOEs, (iii) establishing a stakeholder consultation/dialogue mechanism, (iv) strengthening the accountability aspect of corporate governance, and (v) strengthening the SOE boards. These five strategies are re-organised according to the sequencing and numbering of the OECD corporate governance guidelines for the SOEs to link and therefore, discuss the related strategies under each corporate governance guideline. The (OECD 2015, pp. 19 - 29) corporate governance guidelines relevant for the Solomon Islands SOEs are as follows: (i) rationales for state ownership, (ii) the state's role as an owner, (iii) state-owned enterprises in the marketplace, (iv) stakeholder relations and responsible business, (v) disclosure and transparency, and (vi) the responsibilities of the boards of state-owned enterprises. These corporate governance guidelines are outlined and discussed later in the section, linking the discussions related to the strategies to strengthen the corporate governance system of the Solomon Islands SOEs identified in Part II of the Findings chapter, Chapter 5.

This section starts the discussions by (i) highlighting the importance of having a set of corporate governance guidelines for the SOEs, followed by (ii) presenting the OECD set of corporate governance guidelines relevant to the Solomon Islands SOEs. The strategies suggested in the Findings chapter are discussed under each corporate governance guideline.

Firstly, to strengthen the corporate governance system for SOEs requires the understanding of both internal and external corporate governance (CIPE 2009, p. 17). The external corporate governance mechanisms include the laws and regulations. In terms of laws and regulations, the Solomon Islands government enacted the SOE Act in 2007 and promulgated SOE Regulations in 2010. These are the two legal instruments in addition to the original Acts which were enacted to establish the SOEs over a period of years in the past. For the internal corporate governance, the key mechanisms are the corporate governance principles or guidelines for the governance of the state-owned enterprises. It is important to note that at the time of the current study, no corporate governance guidelines have been developed for the Solomon Islands SOEs.

Secondly, the study adopted the OECD set of corporate governance guidelines relevant to the Solomon Islands SOEs and presented it along with the discussions of the related

strategies suggested in the Findings chapter, provided under each related corporate governance guideline. The OECD (2015, pp. 19 - 29) corporate governance guidelines for the SOEs are discussed in Section 2.6 of Chapter 2. The following corporate governance guidelines applicable to the Solomon Island's SOEs and the discussions of the related strategies suggested in the Findings chapter are provided under each corporate governance guideline below³⁰ :

(i) *Rationales for state ownership*

According to the (OECD 2015, p. 19), 'The state exercises the ownership of SOEs in the interest of the public. It should carefully evaluate and disclose the objectives that justify state ownership and subject these to a recurrent review.'

In the Solomon Islands, the state exercises its ownership of the SOEs through the SOE Act 2007 (S.I. Government 2007). Section 2 under Part I of the SOE Act stipulates the ownership of the state through the Accountable Ministers of the Government, the Minister of Finance and the Responsible Minister (Sector Minister). The objectives justifying the state ownership are stipulated in Section 4 under Part II of the SOE Act 2007, the purpose of the Act is to enhance the performance of the SOEs so that they provide the best possible service for the people of Solomon Islands and contribute to the long term economic and social development of Solomon Islands. The recurrent review of the objectives that justify state ownership is silent in the current SOE Act 2007.

(ii) *The state's role as an owner.*

The (OECD 2015, p. 20) states that 'The state should act as an informed and active owner, ensuring that the governance of SOEs is carried out in a transparent and accountable manner, with a high degree of professionalism and effectiveness.'

The first strategy suggested in the Findings chapter to strengthen the corporate governance system of the SOEs is to strengthen the government's oversight role. Currently, the government's oversight role is coordinated by the SOE Unit under the Economics Division of the Ministry of Finance and Treasury of the Solomon Islands Government (Ministry of Finance and Treasury 2020, p. 27). See the Unit with a red oval circle in Figure 3 of Chapter 2. The Corporate Plan 2020 – 2022 showed that there are two employees employed under the SOE Unit and they have three roles (Ministry of Finance and Treasury 2020, p. 27). The first

³⁰ The researcher noted that all SOEs are owned by the state and there are no other investors in the ownership structure of the SOEs and therefore decided to exclude OECD guideline four, equitable treatment of shareholders and other investors as this guideline does not apply.

role involves the monitoring and understanding of financial performance, investment strategies, business plans and delivery of services (including the community service obligations). The second role is to ensure SOEs are complying with the SOE Act 2007 and the SOE Regulations 2010, and providing timely reports on their planning, budgeting and governance. Finally, the third role covers the development of a capital structure policy for SOEs (Ministry of Finance and Treasury 2020, p. 27). To accomplish the tasks under those three important roles with only two officers at the Unit level may be quite challenging. These roles are strategic in focus and therefore, require persons with relevant qualifications and experience, and a person at the director level may be appropriate to coordinate, monitor, and evaluate the SOEs' compliance with the SOE legislations. Not only that, but the role requires the development, implementation, monitoring and evaluation of a capital structure policy for the SOEs. The oversight role requires visiting and meeting and holding discussions with the CEOs and the SOE boards. There needs to be active engagement by the state as the owner with its SOEs.

Furthermore, carrying out the government's oversight role over eleven SOEs including coordination with relevant sector ministries may be considered as under-staffed with only two staff, and therefore, it may not be possible to fulfil fully the roles expected by the government regarding the SOEs. Hence, the suggestion to establish a director position and upgrade the SOE Unit to a departmental level is deemed necessary, with the possibility of further recruitment. This recommendation will enable adequate staffing so that each staff member can be responsible for a reasonable number of SOEs. For example, if a director and two additional staff are recruited, each staff member could be allocated with three out of eleven SOEs to oversee and monitor while the director oversees the four officers and focuses more on the strategic roles and functions of the department, including meetings and holding discussions with the CEOs and the SOE boards regarding the government's policy priorities and plans for the SOEs.

Having a director would imply a position of significance and authority and consequently on a par with the level of authority of the CEOs and the board of directors of the SOEs. This appointment would enable a meaningful exchange of communications regarding appropriate and relevant matters at the governance and policy level. Following the upgrading of the SOE Unit to the departmental level and the recruitment of a new director, the new department should work on developing a set of corporate governance guidelines for the Solomon Islands SOEs.

The increasing demands for the SOE Unit identified during the study is a proactive role in terms of planning, monitoring and supporting the sector ministries' oversight roles on their respective SOEs. Supporting the sector ministries' oversight roles is discussed in the next strategy, the second strategy. The state should take responsibility for strengthening its key coordinating office to ensure the governance of the Solomon Islands SOEs is carried out in a transparent and accountable manner, with a high degree of professionalism and effectiveness. These recommendations align with principle two of the OECD (2015) guidelines on corporate governance of state-owned enterprises, which suggest that SOEs should follow the best corporate governance practices which are described in Chapter 2.

The second strategy suggested in the Findings chapter to strengthen the corporate governance system of the SOEs is the strengthening of the sector ministries' oversight roles over their respective SOEs. The study found that there is no clearly documented system in place on how to engage with the SOEs from the ministerial level, although there were times in the past when the Chairpersons or CEOs of SOEs had to see their respective permanent secretaries or the sector ministers regarding matters relating to the SOE Act 2007, SOE Regulations 2010 or other operational issues requiring the attention of the ministers.

The study found that strengthening the oversight roles of the SOE's sector ministries may improve the corporate governance mechanism like that of the SOE Unit of the Ministry of Finance and Treasury. The oversight role under the sector ministries is focused on the regulatory compliance and operational issues specific to the industry of particular SOEs while the SOE Unit (proposed SOE department) at the Ministry of Finance and Treasury is responsible for an overall oversight role and the funding aspect of the SOEs. Sector ministries are government ministries that oversee and have links with their SOEs. For example, the sector ministry for Solomon Power (formerly the Solomon Islands Electricity Authority) is the Ministry of Mines Energy and Rural Electrification.

(iii) State-owned enterprises in the marketplace

The (OECD 2015, p. 22) states that to be 'consistent with the rationale for state ownership, the legal and regulatory framework for SOEs should ensure a level playing field and fair competition in the marketplace when SOEs undertake economic activities'. In the case of the Solomon Islands, the government passed in the Parliament and enacted the SOE Act in 2007 and promulgated the SOE Regulations in 2010. This created a legal and regulatory framework for the Solomon Islands SOEs.

(iv) Stakeholder relations and responsible business

The (OECD 2015, p. 25) states that ‘The state ownership policy should fully recognise SOEs’ responsibilities towards stakeholders and request that SOEs report on their relations with stakeholders. It should make clear any expectations the state has in respect of responsible business conduct by SOEs.’ The Solomon Islands SOEs in their annual reports, and especially in the financial reports disclosed their relationships with stakeholders.

The third strategy suggested in the Findings chapter to strengthen the corporate governance system of the SOEs is to establish a stakeholder consultation/dialogue mechanism to allow the SOEs to consult with other SOEs and share experiences of the challenges faced and the resolutions taken to address those challenges. Not only that, but in difficult economic situations, the SOEs may interact with other SOEs as well as other key stakeholders to identify the best way forward that SOEs can stay operational and continue to provide the basic services under their respective industries and sector. The study found that currently the SOE Unit may not have the capacity to carry out the strategies suggested by the interviewees and presented in this study. Therefore, there is a need to upgrade the SOE Unit to a departmental level to have the resources, and the technical expertise, and capabilities to achieve the strategy to establish a stakeholder consultation/dialogue mechanism for the Solomon Islands SOEs.

(v) Disclosure and transparency

The (OECD 2015, p. 26) states that state-owned enterprises should observe high standards of transparency and be subject to the same high-quality accounting, disclosure, compliance and auditing standards as listed companies. For the Solomon Islands SOEs, Section 14 (1) (b) of the SOE Act 2007 provides the requirements for the SOEs to submit to the accountable ministers three months after the end of each financial year the audited consolidated financial statements for the financial year consisting of statements of financial profit and loss, changes in the financial position, and such other statements as may be necessary to show separately the financial position of the SOE and each of its subsidiaries and the financial results of their operations during the financial year.

The fourth strategy suggested in the Findings chapter to strengthen the corporate governance system of the SOEs is the strengthening of the accountability aspect of corporate governance. The accountability aspect of corporate governance includes the following administrative protocols:

(a) *clear administrative policies* - there should be clear policy guidelines, staff administrative policies, procurement policies, risk management, customer service policies, whistle-blower policies, policy guidelines for the *wantok* system and the enforcement of policies, rules and regulations.

(b) *staff support* - the staff recruitment and staff appraisals must be based on merit regardless of whether there are too many staff from a particular Island or province in the Solomon Islands. The study found that the recruitment of employees can be done through recruitment agencies such as the Pasifiki HR company in Honiara, Solomon Islands for neutrality purposes and avoidance of the *wantok* system practices. Annual staff appraisals, on the other hand, enable the SOEs to identify the deficiencies and address them in terms of discipline and improvements for compliance purposes, as well as staff training to upskill the concerned staff.

(c) *relevant training policies* – training on sound corporate governance practices, ethics, and in procurement guidelines, awareness of other administrative policies, and corporate and professional training should be conducted for the SOEs. Professional training is required to equip the staff to appreciate professionalism in their work. The training should be conducted at the different levels (board of directors' level, management level and the general staff level) of the SOEs and be conducted on a regular basis. The strategies under the administrative protocols fall under management operations. The management operation is part of the structure making up the internal aspect of corporate governance mechanisms. CIPE (2009) observed that a strong internal corporate governance should provide value for companies, and this should be applied to the Solomon Islands SOEs.

(vi) *The responsibilities of the boards of state-owned enterprises*

The (OECD 2015, pp. 28 - 9) states that 'The boards of SOEs should have the necessary authority, competencies and objectivity to carry out their functions of strategic guidance and monitoring of management. They should act with integrity and be held accountable for their actions.' For the Solomon Islands SOEs, Section 6 (1) – (7) of the SOE Act 2007, Part 2 of the SOE Regulations 2010 provides the necessary guidelines for the role and the appointment of the SOE directors. Furthermore, the directors' duties are also provided for under Part 4 of the SOE Regulations 2010. If boards of directors are not acting with integrity but acting contrary to Section 6 (5), best interest of the SOE, and Section 6 (7) of the SOE Regulations, then they will be held accountable for their actions under Section 6 (8), are liable to a fine of up to

SBD\$100,000.00 (approximately US\$11,775) and Part 3 of the Regulation 2010 will apply. Part 3 of Regulation 2010 relates to disqualification and removal of the SOE board of directors.

The fifth strategy suggested in the Findings chapter to strengthen the corporate governance system of the SOEs relates to the SOE boards:

(a) **board appointments** - the persons for appointment to the SOE boards must be people who are qualified professionals in various fields, with strong and effective leadership qualities, especially for the chairperson's position on the SOE boards. The candidates who go through the recruitment process and are recommended by the board should be appointed.

(b) **board capacity building** - all boards of directors of the SOEs should go through the directors' training, board coaching, and perhaps be members of the board of directors' institute to uphold professionalism in conducting their roles as members of a board of directors of the SOEs.

(c) **sub-committees** - setting up board sub-committees to deal with important issues such as HR matters. This recommendation is in line with point H under guideline seven (7), the responsibilities of the boards of state-owned enterprises of the OECD (2015) for setting up specialised committees.

(d) **internal audits** - continuous internal audits should be carried out to identify certain non-compliance or irregularities for corrective actions. This suggestion is also in line with point J under guideline seven (7), the responsibilities of the boards of state-owned enterprises of the OECD (2015) – SOEs should develop efficient internal audit procedures and establish an internal audit function that is monitored by and reports directly to the board and to the audit committee.

(e) **political influence safeguards** - the establishment of political safeguard policy also supports good corporate governance. The SOE Unit of the Ministry of Finance and Treasury should develop a set of political influence safeguards to ensure that there are no political interferences in the appointment of the board of directors.

In summary, the study found that there is a need to review the SOE Act 2007, the SOE Regulations 2010 and to develop a set of corporate governance guidelines for the Solomon Islands SOEs. It would be beneficial to have a robust SOE oversight body in place, a set of good corporate governance guidelines which are supported by the SOE legislations (revised SOE Act 2007 and revised SOE Regulations 2010) for the Solomon Islands SOEs. Such oversight would provide clear corporate governance and an accountability framework for the

SOE boards that represent the Solomon Islands government at the policy level and the SOEs at the operational level. These SOEs are accountable for implementing the policies of the Solomon Islands government and for providing essential services to the country and for the people of the Solomon Islands as a whole.

Under the guidance of an ethical or normative branch of stakeholder theory (Deegan 2013), data for the study was gathered from the important stakeholders of the SOEs, senior public servants (not directly employed under the SOEs), practising accountant, private business entrepreneur, academic staff, NGO and civil society groups in the Solomon Islands. The gathering of diverse views was important in terms of the suggestions recommended for the strategies to strengthen the corporate governance system of the Solomon Islands SOEs, and the need for the government and its SOEs to release progressive updates on the developments within the SOE sector to the public.

The research found that while strategies suggested by the SOE group participants were on improving the internal aspects of the current corporate governance system of the SOEs, the NSOE Group participants focused on the external corporate governance mechanisms which included the suggestion to establish a stakeholder consultation/dialogue mechanism or platform, and strengthening the sector ministries oversight role over their respective SOEs.

The ethical or normative branch of stakeholder theory supports the stakeholder-oriented model which recognises the interests of all stakeholders such as the employees, customers, suppliers, and the community, and seeks to balance the stakeholders' interests to maximise long-term value for the SOEs. With this model, SOEs can build trust and goodwill with their stakeholders, which will lead to improved governance, performance and sustainability. This approach may also help to mitigate the risks associated with corruption and nepotism which are common in collectivist cultures such as the Solomon Islands. Therefore, implementing the strategies suggested in Chapter 5 and discussed in this section through a stakeholder-oriented corporate governance approach will strengthen the corporate governance system of the SOEs and help to mitigate the influence of *wantok* system practices in the Solomon Islands SOEs.

In summary, the strategies to strengthen the corporate governance system of the Solomon Islands SOEs identified in Part II of the Findings chapter under the relevant OECD corporate governance guidelines provides a framework to implement the strategies and to conduct future reviews and assessments of the corporate governance system.

The current study noted that since there are no corporate governance guidelines for the Solomon Islands SOEs. Consequently, no strategies relating to the OECD corporate governance guidelines on the state-owned enterprises in the marketplace are discussed in Part II of the Findings chapter. As a result, the participants did not suggest strategies related to the corporate governance guidelines on the state-owned enterprises in the marketplace. However, this particular point is beyond the scope of this study. Nevertheless, the point to note is that, if there were a set of corporate governance in place for the Solomon Islands SOEs, there would assumingly be strategies suggested by the participants

With the adoption of the stakeholder-oriented model for the Solomon Islands SOEs from the perspective of the ethical or normative branch of stakeholder theory, the SOEs can build trust and goodwill with their stakeholders, which will lead to improved governance, performance and sustainability in a collectivist culture such as the Solomon Islands. The next section discusses the strategies to reorientate the *wantok* system to support corporate governance practices of the SOEs.

6.7 The strategies to reorientate the *wantok* system to support corporate governance practices of the SOEs

In Part II – Findings chapter (Chapter 5), the strategies suggested by participants to reorientate the *wantok* system to support corporate governance practices of the Solomon Islands SOEs are grouped under three main headings: (i) identify authentic and non-authentic *wantok* system practices, (ii) the inclusion of the *wantok* system as part of the corporate governance support system practices, and (iii) repositioning the *wantok* system so that it is embraced within all corporate governance practices and not just the principles considered to be norms of the *wantok* system. Each of these strategies is discussed in succession.

First strategy:

The first strategy is the identification of the authentic and non-authentic *wantok* system practices. The authentic *wantok* system is the traditional *wantok* system that existed during the pre-European era (Jack-Hinton 1969). This *wantok* system is free from the influences of foreign ideologies such as liberalism and capitalism which were brought by colonisers and the Christian code of practices by the missionaries. The practice of cooperation, caring and reciprocal support is a positive aspect of the *wantok* system. The *wantok* system that existed during the pre-European era benefited the members of the respective ingroups. Throughout generations, it was the reason for survival. The *wantok* system cannot be erased in a short time period. It will persist for a long time because it benefits families, tribes and the country at large (Ha'apio 2019).

The *wantok* system culture is consistent with Hofstede's long-term orientation dimension. The society values long-term goals and persistence, perseverance and capacity for adaptation. The SOEs should build a culture of patriotism and include the positive *wantok* system values incorporated within existing visions, missions, goals and organisational values of the SOEs. These are sentiments shared by senior government officers during the interviews. There are positive *wantok* system values already in existence in the workforce such as teamwork, respect, skills transfer, communication clarity, protecting one another from harm, and looking out for each other. These *wantok* system values can enhance the corporate governance practices of the Solomon Islands SOEs.

The *wantok* system practised today is not the authentic *wantok* system, as it has been influenced by three ideologies and concepts over the years. Therefore, the *wantok* system as it currently operates carries a negative connotation and it is often associated with nepotism

(Nanau 2011). The negative aspect of it is when it is used for money and corrupt practices identified with the following: (i) liberalism (focus on oneself not the group) - The influence of liberalism has weakened the communal fabric of community building and focuses more on oneself; (ii) capitalist ideologies (economic value – profit) - the economic benefit or profit has a catalytic effect to capitalise on corruption opportunities; (iii) love and forgiveness (Christian practices of showing love even though a wrong has been committed) and not making people accountable for their actions. The wrongs committed might have been in the form of bribery, corruption, dishonesty, and so forth, and people turn to biblical scriptures to explain their humanity and weakness, thereby seeking forgiveness and love from the community. While the practice is good for healing and promoting harmony in the community, the negative aspect of it is that people defend those who are wrong and should be charged or convicted (Arua & Eka 2002). A CEO of an NGO in the Solomon Islands said that what is happening in the country is not caused by the *wantok* system but by corruption.

The influences from the introduced ideologies – liberalism, capitalism (economic benefit or profit) and Christian practices – mutated the traditional authentic *wantok*. The ingrained nature of the *wantok* system was illustrated by a number of interviewees. Solomon Islanders cannot live without the *wantok* system because it is rooted in their culture. The downside of the *wantok* system is when it is used to solicit money and for corrupt practices. To revert to the original *wantok* system, the monetary element should be isolated from *wantok* system practices and this awareness and educational strategy needs to begin in the city and urban centres where the problem appears to have started and progress to the rural communities and villages. Consequently, the application of the movement strategies that reorientate Solomon Islanders from a tightness to a looseness culture and from a vertical to a horizontal view has to begin from the city and urban centres and move into the rural areas., However, the implementation of the strategies has to be done with cultural sensitivity and caution, as any strategy that may seem to contradict the cultural norms may face resistance in the first instance.

To remove *wantok* system misconceptions, an awareness and educational program to help people understand the *wantok* system culture should be promoted and conducted in the offices of the government ministries, SOEs, private sector businesses, financial institutions and institutions, non-governmental organisations and in other civil society groups. Furthermore, for a long-term strategy, the study of the *wantok* system culture should be included in the curriculum of the education system in the Solomon Islands.

Second strategy:

The second strategy is the inclusion of the *wantok* system as part of the corporate governance support system practices. This can be accomplished in three ways: creating a support environment, providing an avenue for resolving disputes and problems, and creating a safety net in times of need and disaster. Firstly, creating a support environment for the SOEs: The study suggested that SOEs should establish the *wantok* system policy guidelines as part of their administrative protocols. This is so that the helpful *wantok* system practices can be assimilated into sound corporate governance practices that do not infringe on the policies and procedures of the SOEs. For example, if parts of the *wantok* system (norms) can assist people to work together then that should be promoted and included in the policies or work ethics of the organisation. This could include the creation of strong cohesive ingroups such as family and, in return, the SOEs should look after the welfare of their staff – a model of a collectivist culture. In addition, the SOEs could promote strong corporate governance practices with disciplinary consequences for those violating them. This is similar to the cultural tightness of cultural ingroups in any collective culture or society, but in this case, applied to the SOEs.

Secondly, the provision of an avenue for resolving disputes and problems: In the Solomon Islands, as in the past, it is not uncommon for the *wantok* system to be used as a medium for resolving disputes or problems (Nanau 2011, p. 42). For example, a senior management employee of an SOE recalled how he had used the *wantok* system to resolve and restore peace and tranquillity in his organisation. He contacted one of his work colleagues to intervene and mediate between the staff and the *wantoks* of his work colleague who demanded compensation. His work colleague mediated, and the matter was resolved amicably. Another example is when the *wantok* system is used to resolve issues relating to staff being picked on because they are from a minority group. In this case, *wantoks* would intervene and bring equilibrium into the workforce. The senior management staff member of an SOE concluded that the *wantok* system can bring benefits when others see where it is relevant and they do not misuse it. The dispute and problem resolving process should be acknowledged and considered for inclusion under *wantok* system policy guidelines as a support environment for the SOEs.

Finally, the creation of a safety net in times of need and disaster: Having clear guidelines for safety during natural disasters is important. Participants spoke about the *wantok* system providing a safety net for the *wantoks* during natural and man-made disasters (Nanau 2011). For example, during natural disasters like cyclones and flash-floods, people depend on support and encouragement from their *wantoks* until government support is available. For the remotest

parts of the country, and where the government services are unable to reach the communities, people depend on the *wantoks* for survival. The *wantok* system is a safety net because people can always count on the support of group members when in need (Hauriasi & Davey 2009). Physical and emotional support through *wantoks* has helped people survive during the natural disasters that have affected the country in past years. Therefore, it is suggested that SOEs include this important network in the organisational disaster policy guidelines for dealing with the welfare of the employees. The safety net concept should be considered for assimilation into the safety protocols considered for inclusion under the *wantok* system policy guidelines for a support environment for the SOEs

Third strategy:

The third strategy involves the repositioning the *wantok* system so that it is integrated within all corporate governance practices and extending beyond the principles seen to be norms of the *wantok* system. Therefore, the corporate governance system requires an analysis and a comparison of the two systems to identify the commonalities that can be used for the repositioning strategy. This study used the comparative cultural features of the Stakeholder-oriented model framework by Ntongho (2016) as discussed in Section 2.7 of Chapter 2. See Table 17 below.

Table 17: Comparison of corporate governance models with the *wantok* system

Cultural features	Stakeholder-oriented model	<i>wantok system</i>
Core Values: Important, worth, held to deserve	Collectivism/ communitarianism	<i>Collectivism</i>
Attitude: Way of thinking & feeling	Long-term value maximisation	<i>Long-term value maximisation</i>
Norm: Usual, typical, standards	Involvement of labour in decision- making	<i>Involvement of labour in decision- making</i>
Action: Process of doing	Employee representatives on boards	<i>Employee representatives on boards</i>
Belief: Trust, faith, confidence, acceptance	Welfare	<i>Welfare</i>
Policy: Course or principle of action adopted	Social responsibilities	<i>Social responsibilities</i>

Source: Ntongho (2016) and modified to include *wantok* system by author Iyabora (2023)

Aligning and comparing the *wantok* system (considering culture as an institution that lays the ground rules for people to practice Ntongho (2016)) with the dominant corporate governance model, the study found that the Stakeholder-oriented model is best suited for the Solomon Islands SOEs. The core values, communitarianism/collectivism under the Stakeholder-oriented model align well with the *wantok* system. Scroope (2016) identified the *wantok* system as a collectivist culture. The long-term value maximisation under the Stakeholder-oriented model relates well with the authentic *wantok* system. However, there is a problem with the *wantok* system when people incorporate short-term profit maximisation, as mentioned earlier, and when the *wantok* system is influenced by the liberal state and capitalist ideologies. These ideologies are derived from Individualism which is opposite to collectivism.

Problems flowing from the *wantok* system may be reduced if people realised and adopted the authentic *wantok* system which aligns with the cultural features of the Stakeholder-oriented model. The norms of involving labour in the decision-making and seeing them in action through having employee representatives on board are favourable since the *wantok* system is about building relationships, trust, obligations, reciprocity, responsibility and goodwill practices. This is more favourable under horizontal collectivism which is generally characterised by seeing most members of the ingroup as equal and stressing the pattern of collectivism (Auyeung & Sands 2003). These facets of horizontal collectivism can be seen in the city and the urban centres, in the offices of the government ministries, SOEs, private businesses, institutions, non-governmental organisations, and other civil society groups in the city and the urban centres. In a horizontal dimension, people often speak about equality, gender balance, similar relationships, and respect to develop good relationships between managers and subordinates. The study suggests that shifting to horizontal collectivism could begin in the city and urban centres and slowly move towards the villages. It may be a gradual movement taking many years for the changes to happen in the Solomon Islands.

Having social responsibility reflected in the policies which represents the belief of providing welfare to the employees and stakeholders under the Stakeholder-oriented model fits well under the *wantok* system. A Stakeholder-oriented model is therefore recommended for the Solomon Islands SOEs. The suggestion to adopt a stakeholder-oriented model is consistent with the ethical or normative branch of stakeholder theory (Deegan 2013). As discussed in the previous section (Section 6.6), with the stakeholder-oriented model, SOEs can build trust and goodwill with their stakeholders, which will lead to improved governance, performance and sustainability.

The *wantok* system should be understood as a way of life, and not as an obstacle to life in the Solomon Islands. It is a system which has been practised in the Solomon Islands since time immemorial and has been ingrained in the culture of each living person connected to the indigenous people of the Solomon Islands. The *wantok* system harmonises the way people live, supports people within the communities, and the way they support their families. Arua and Eka (1980) stated that the *wantok* system is a way of life for the Melanesian people. The way they live, do things, and handle every situation in life. Unity and common understanding in life are strong characteristics of the system.

An illustration of how the *wantok* system can operate as a way of life in a community is an NGO group that uses the *wantok* system to operate a savings scheme to help the rural women of a certain part of the Malaita province in the Solomon Islands. This saving scheme is particularly for the West Are'Are women in the southern region of Malaita who speak the same language. They recruited all their Are'Are speaking employees into their office, and they grew their savings scheme. The scheme has accumulated funds of more than SBD\$2 million (approximately US\$240,000) during the time of the study. This scheme harmonises the way they live, the way they support each other in their communities and the way they grow the savings of their families and their communities at large. One thing is clear in this whole concept, each member takes responsibility and ownership of this whole scheme and makes sure it grows and flourishes. Each member has pride in this venture and nurtures it with passion and they are now benefiting from the scheme.

The concept of responsibility and feeling part of an organisation are important values that, when applied to the SOEs, will see loyalty and faithfulness in service by the employees. Employees will perform their duties with prudence and passion, and therefore, have pride in their work. Eventually, such work ethics will enhance the work attitude and mentality not only in the Solomon Islands SOEs but the whole of the Solomon Islands at large. Since the *wantok* system has similar core values, attitudes and norms to the Stakeholder-oriented model, the areas of alignment can be at the belief, policy and action levels. The policies of the SOEs should consider the welfare of the employees and key stakeholders under social responsibility. The implementation should begin with the welfare of the employees and then gradually extend to the other key stakeholders such as the suppliers and customers.

The study found that some SOEs had already taken steps to implement this strategy. Two senior management staff of an SOE highlighted that their SOE has introduced welfare schemes for their employees. The welfare schemes are in the form of monthly rental support, end-of-

year bonuses and a resilient employee program. Firstly, the SOE pays the monthly rentals directly to employees as social welfare incentives as well as motivation to maintain the employees of the SOE. Secondly, bonuses were awarded to employees following successful annual appraisals. Thirdly, the resilient employee program prepares the employees to become resilient to adverse situations they may encounter as employees of the SOE. For these senior management staff, these welfare schemes were designed to address the high employee turnover. Because the employee turnover rate was very high in past years, the senior management staff stated that they set their employee turnover rate at two per cent and worked towards achieving it. This SOE has now been declared as one of the high-performing SOEs as reported in the ADB Report (ADB 2023, p. 12).

Since the *wantok* system is dominant in the Solomon Islands and is a culture that has been continually practised, more studies should be encouraged and conducted in the Solomon Islands. A board director of an SOE admitted that there is a need to have more study into the *wantok* system to resolve the related issues so that it can be in harmony with the corporate governance systems, policies and procedures applied by SOEs and other organisations in the country. This director further suggested that if changes must be made in the Solomon Islands, it is important to find the soul of the Solomon Islanders. In fact, throughout this research, the study suggests that the soul of the Solomon Islanders resides in the *wantok* system which is entrenched in their culture and therefore cannot easily be removed from any form of development in the Solomon Islands. The *wantok* system demonstrates a set of relationships or obligations that link people together, a form of social capital that relates to the social attributes of trust, obligation, reciprocity, responsibility and goodwill practices. As a participant mentioned, Solomon Islanders need a shared sense of identity. More study into the *wantok* system can identify similarities between Solomon Islanders that can be drawn on to assist in developing strategies to assimilate the acceptance of positive *wantok* values. Designing corporate governance systems that foster the spread of positive *wantok* system values through organisations will assist in enhancing the corporate governance practices of the Solomon Islands' SOEs.

Wu (2018) explanation of how reciprocity is classified in Chinese culture may help in understanding the distinction between the authentic *wantok* system and the non-authentic or mutated *wantok* system and therefore, may assist in the re-orientation strategy. In the Chinese culture, reciprocity is classified only under non-familial relationships and not in familial relationships. It contains instrumental ties which are based on formal work relationships

through which workers exchange necessary information, advice, expertise and informal, physical or financial resources between individuals (Wu 2018). Therefore, if this concept is applied under the *wantok* system, giving and receiving practised in familial relationships or family, clan or tribal groupings should be considered as familial obligation and not reciprocity. Familial relationships or relationships within a family in the Chinese culture are sacred and therefore bound by obligation to reciprocate (Ambwani 2014). The reciprocity should be applied only to non-familial relationships such as friends, and colleagues. This explanation may help to understand the authentic *wantok* system for the purpose of the re-orientation strategy.

Repositioning the *wantok* system to support corporate governance in the Solomon Islands SOEs will require several processes. Initially, it requires the identification of an ideal corporate governance model that is compatible with the authentic *wantok* system such as the Stakeholder-oriented corporate governance model.

Subsequently, incorporating the employees' collective welfare under social responsibilities in the policies of the Solomon Islands SOEs is a strategy for repositioning the *wantok* system to support corporate governance practices in the Solomon Islands SOEs. This process will create an organisational culture within the Solomon Islands SOEs by cultivating positive employer-employee relationships, building trust, promoting an obligation of loyalty and responsibility, and developing reciprocity and goodwill practices.

Finally, create an understanding that mutual reciprocity under the *wantok* system should apply only in non-familial relationships. Implementing these strategies so that the *wantok* system is embraced within all corporate governance practices will contribute to employees' support provided for the SOEs and effective corporate governance practices.

In summary, understanding the authentic *wantok* system through awareness and education programs, the inclusion of the *wantok* system as part of the corporate governance support system practices, and the repositioning of the *wantok* system so that it is embraced within all corporate governance practices are the *wantok* system re-orientation strategies to support corporate governance practices of the Solomon Islands SOEs.

The repositioning of the *wantok* system through the stakeholder corporate governance model may be a possible strategy to enhance the acceptance of the corporate governance practices of the Solomon Islands SOEs. This strategy is needed particularly in rural communities where corporate governance practices are perceived, currently, to be violating the

wantok obligations. The adoption of this re-orientating *wantok* system strategy is consistent with the ethical branch of stakeholder theory.

6.8 Conclusion

Studies in the Solomon Islands revealed that the *wantok* system influence is pervasive across urban-rural, cash-subsistence, and public-private sectors. However, there is little known information about the extent of the *wantok* system influence on the corporate governance practices of the Solomon Islands SOEs. The current study found contrasting results from the two participant groups. The SOE interviewees claimed the extent of the *wantok* system influence on the corporate governance practices in the Solomon Islands was small, while NSOE participants saw its influence as moderate to large. The cause of the different opinions of the two groups is possibly due to information asymmetry. The information regarding the gradual improvements following the reforms carried out by the Solomon Islands government on its SOEs since the early 2000s were not reported to the public progressively over the years. Because of the reforms, the *wantok* system's influence has reduced significantly over the years. However, the study found that the *wantok* system influence still exists in the Solomon Islands SOEs.

From the *wantok* system obligations, mutual reciprocity was identified as having the greatest influence on the corporate governance practices of the Solomon Islands SOEs. Two possible explanations of how the *wantok* system influences the corporate governance practices of the Solomon Islands SOEs were suggested. As a national culture, the *wantok* system still influences the decision-making processes of the SOE leaders. SOE leaders, through power perception, use discretionary powers to adhere to cultural norms which violate sound corporate governance practices. In addition, Power Distance explains why SOE leaders in the Solomon Islands SOEs had taken decisions that led to norm violations.

To address the *wantok* system influences, the study proposed that firstly, a set of appropriate corporate governance guidelines has to be developed for the Solomon Islands SOEs, and secondly, the strategies identified in Part II of the Findings chapter and discussed in this chapter should be implemented. These strategies included: (i) strengthening the government's oversight role, (ii) strengthening the sector ministries' oversight roles over their respective SOEs, (iii) establishing a stakeholder consultation/dialogue mechanism, (iv) strengthening the accountability aspect of corporate governance, and (v) strengthening the SOE

boards. With the implementation of these strategies and the adoption of the stakeholder-oriented model for the Solomon Islands SOEs, the SOEs can build trust and goodwill with their stakeholders, which may lead to improved governance, performance and sustainability in a collectivist culture such as the Solomon Islands.

The study recommends further strategies to reorientate the *wantok* system to support the corporate governance practices of the Solomon Islands SOEs: The strategies include:

(i) Promoting and carrying out awareness and educational programs about the authentic and non-authentic *wantok* system practices in the offices of the government ministries, SOEs, private sector businesses, financial institutions, non-governmental organisations and other civil society groups. As a long-term strategy, the study of *wantok* system culture should be included in the curriculum of the education system in the Solomon Islands.

(ii) Including positive *wantok* system values as part of the corporate governance support system practices. The *wantok* system can be used as a support system in three ways: creating a support environment, providing an avenue for resolving disputes and problems, and creating a safety net in times of need and disaster.

(iii) Repositioning the *wantok* system can be achieved through the adoption of the Stakeholder-oriented corporate governance model, followed by re-orientating the employees' collective welfare under social responsibilities in the policies of the Solomon Islands SOEs and, finally, promoting an understanding that mutual reciprocity under the *wantok* system should apply only in non-familial relationships. Promoting this awareness may also be done along with the awareness and educational programs carried out in strategy one (i) of the re-orientation strategy of the *wantok* system to support the corporate governance practices of the Solomon Islands SOEs.

CHAPTER 7: CONCLUSIONS

7.1 Introduction

This chapter concludes the study by providing a summary of key research findings concerning the research aims and research questions as well as contributions to knowledge and application to practice. The limitations of the study will be reviewed and directions for further research are proposed at the end of the chapter.

7.2 Key contributions from the study

The study aimed to explore how strategies may be implemented to enhance the acceptance of sound corporate governance practices of the Solomon Islands' SOEs through understanding the influence of the *wantok* system. The study establishes a number of key contributions from the study which are outlined below.

7.2.1 *The extent of wantok system influence on the corporate governance practices of the Solomon Islands SOEs*

The study's initial contribution is the finding revealing that the influence of the *wantok* system on corporate governance practices of the Solomon Islands SOEs is still in existence during the time of this study. This was confirmed by the participants from the two groups (SOEs and NSOEs) that took part in the study. However, there is still a need for more academic studies on this topic in the Solomon Islands, and perhaps in the Pacific region.

The findings revealed contrasting results from the two participant groups (SOEs and NSOEs) regarding the extent of the *wantok* system influence on corporate governance practices of the Solomon Islands SOEs. The SOE group perceived that the extent of *wantok* system influence on corporate governance practices of the Solomon Islands SOEs has reduced significantly following the SOE reforms since the enactment of the SOE Act 2007 and promulgation of the SOE Regulations 2010. On the other hand, the NSOE group perceived that the extent of *wantok* system influence on corporate governance practices of the Solomon Islands SOEs remains high. The current study has not gone further into identifying the cause of the difference in perceptions from the two participant groups (SOEs and NSOEs) as it is beyond the scope of this study.

While there are differing opinions about the extent of *wantok* system influences on corporate governance practices of the Solomon Islands SOEs, the recent ADB (2023) report highlighted that the Solomon Islands leads SOE profitability in the Pacific. Such reported improvements made by the Solomon Islands' SOEs may be argued are indicative of the SOE reform programs implemented in the early 2000s in the Solomon Islands. However, there is no direct explanation for the contrasting results. A possible explanation may relate to information asymmetry - the differences between the information shared within the SOE organisations and the information shared outside of the SOE organisations (Innis 1991).

Regardless of the perceived influence of the *wantok* system between these two groups, the findings support the *wantok* system's influence as being pervasive in the corporate governance practices of the Solomon Islands SOEs. The influence of the *wantok* system on corporate governance conforms with findings by Turnbull (1997), and Rafiee and Sarabdeen (2012) that culture influences corporate governance practices. The findings of the current study also affirm Licht (2001) findings that culture influences organisation policies through values held by decision-makers and in the case of this study, the SOE leaders.

The study's findings are important since the data collected from the two participant groups (SOEs and NSOEs) demonstrates dichotomous perspectives on the same research questions. These diverse views are an important insight as, without gathering data from the two groups, this finding would have been obscured. These varying findings may be associated with Stamkou *et al.*'s (2019) multilevel theoretical model. The model posits and Stamkou *et al.*'s (2019) results support that, in a collective society, adherence to or violation of societal norms will result in different levels of support for leaders. This level of support is affected by the community's perception of the leader's level of power and the extent of moral outrage caused by the leader's stance for or against the relevant norms. Additionally, for a collective society with a tightness culture, as exists in the Solomon Islands, Stamkou *et al.*'s (2019) results confirm that support for practices will occur when they follow the community's norms whereas norm violators may experience resistance to any non-adherence practices. Applying these results to the current study, the *wantok* system practices that are similar to the corporate governance practices should be readily supported. The converse should occur when the corporate governance practices conflict with the *wantok* system practices.

These findings are a contribution towards future research to consider gathering data from a specific group of people as compared to a broader scope of participant groups. Further study is needed to identify the cause of the contrasting results between the two participant groups

(SOEs and NSOEs) to understand the premise on which each group has based their perceptions. Additionally, the possible differences between the influence of the *wantok* system for the city/urban groups versus the rural/community groups should be investigated in future studies. Investigating these issues will provide additional information that may be used to assist in developing effective strategies to promote the enhancement of corporate governance in not only SOEs but also other organisations in the Solomon Islands.

7.2.2 *Mutual reciprocity, the wantok system of obligation that has the greatest influence on the corporate governance practices of the Solomon Islands SOEs*

The study found that mutual reciprocity is the *wantok* system that has the greatest influence on the corporate governance practices of the Solomon Islands SOEs. In the study, four *wantok* system obligations, language and geographical area of origin; kinship; social associations or religious groups; and mutual reciprocity were used to identify influences on corporate governance practices. While prior research had designated language and geographical area of origin as distinct obligations (Nanau 2011, Renzio 2000), the current study observed participants combined these two obligations. Four corporate governance practices were identified that have been influenced by the *wantok* system: recruitment practices, appointment of the board of directors of the SOEs, awarding contracts, and customer services. From these corporate governance practices, it was found that mutual reciprocity has the greatest influence on the corporate governance practices of the Solomon Islands SOEs.

The findings are consistent with Stamkou *et al.*'s (2019) multilevel theoretical model that suggests practices following the norms of collectivist cultures are accepted, whereas violation of norms may experience resistance. People in tightness cultures respect hierarchy and, therefore, respect SOE leaders who are in positions of power. The findings are also consistent with vertical collectivist cultures where people have respect for the hierarchy, and this is still evident in rural villages and communities. Vertical collectivism is similar to the power distance of Hofstede's cultural dimension - people do not normally question their superiors and those who are held in higher status in work and/or communities or possess positions of power.

The study revealed that the pervasiveness of mutual reciprocity practices in both familial relationships and non-familial relationships makes it easier to adopt and apply in all circumstances. Unlike the other *wantok* system obligations such as language and geographical area of origin, kinship, and social associations or religious groups which are confined to their

specificities, these *wantok* system obligations are related more to familial relationships. Mutual reciprocity practices, however, are open to both familial relationships and non-familial relationship practices.

One of the findings that emerged from this study is the comparison with how the Chinese culture classifies mutual reciprocity. Mutual reciprocity in the Chinese culture only applies to non-familial relationships such as work, business, contracts and so forth. Therefore, any such relationship that requires the give-and-take in the familial relationship is not regarded as mutual reciprocity but an obligation to reciprocate. Chinese culture regards family as sacred and therefore, relationships are treated differently from non-familial relationships which may be for a short term or for business.

This study reveals that mutual reciprocity in the culture of the Solomon Islands is open and can be applied in both familial relationships and non-familial relationships. For example, the study found that the give-and-take practices that are common in the *wantok* culture are regarded as mutual reciprocity. This is not the case in the Chinese culture. It is suggested that the classification of mutual reciprocity only in the non-familial relationship should not be regarded as *wantok* because it can lead to practices that involve money and corruption and a system that causes constraints to development in the Solomon Islands. Therefore, a further look into the practice of mutual reciprocity may be necessary. If the mutual reciprocity is related to familial relationships, then it may be considered as a *wantok* system. If the mutual relationship is a non-familial relationship, then it is not a *wantok* system but a purely mutual relationship system. This finding may prompt further research to find out how different cultures in the Pacific Islands classify mutual reciprocity under their respective cultures.

7.2.3 Two possible explanations for the wantok system influence on corporate governance practices of the Solomon Islands SOEs

The study also provides two possible explanations for *wantok* system influence on corporate governance practices of the Solomon Islands SOEs. At the country level, the *wantok* system has a part in influencing the decision-making processes of the SOE leaders – board of directors, CEOs and senior management. SOE leaders adhering to the cultural norms gain support from their families, kinship, and communities. Therefore, SOE leaders adhering to the *wantok* system norms are indicative of the cultural influence on the decisions and practices made by the SOE leaders. In a collectivist-tightness culture such as the Solomon Islands, people

support leaders who adhere to cultural norms, and in tightness cultures, people respect the leaders. The study also found that vertical collectivism is prevalent in the rural areas and the villages while horizontal collectivism can be found in the city and other urban centres or the provincial centres around the country.

At the individual level, SOE leaders, for example, through power perception recruited their relatives under their privileges or discretionary powers and which did not comply with normal recruitment policies. The employees perceived this recruitment style as acceptable since the CEOs are their leaders or bosses – the ones who exercise control or authority and the ones who direct or supervise the employees. Ordinary people are afraid to disagree with managers and they comply with managers' decisions (Hofstede 1980a). This is in line with Hofstede's cultural dimension on the Power Distance Index (PDI). SOE leaders not adhering to the cultural norms or *wantok* system norms will face moral outrage and will not gain support from the community and the people. The norms of the *wantok* system are trust, obligation, reciprocity, responsibility and goodwill. SOE leaders not adhering to these norms may bring disrepute to themselves in their communities and may not be considered to be good leaders by their communities, tribes or families.

The SOE leaders are faced with a dichotomous situation when considering how to make decisions – adhering to the cultural norms or complying with sound corporate governance practices. Applying the concepts of Stamkou *et al.*'s (2019) multilevel theoretical model also revealed that, at an individual level, a collective culture has a direct effect on both power perception and moral outrage and these two outcomes have a mediating effect on the level of support that SOE leaders will receive. At a country level, the collectivism dimensions and tightness culture interact with adherence to the norms and have a direct effect on leader support; adherence leads to support whereas non-compliance with norms results in little or no support for the leader.

In summary, the influences of the collectivism cultural dimension, at the individual, and the collectivism dimensions and tightness culture, at a country level, pose challenges for the SOE leaders to make decisions favouring the promoting of sound corporate governance practices that conflict with the *wantok* practices and obligations.

7.2.4 The strategies to strengthen the corporate governance system of the Solomon Islands SOEs

The first set of strategies in dealing with the *wantok* system influence is to strengthen the corporate governance system of the Solomon Islands SOEs and this is broken into five strategies including the following suggested actions. Firstly, strengthening the government's oversight role by upgrading the SOE Unit to a departmental level and appointing a director to oversee this important role. The study noted that there are two officers at the Unit level overseeing the important responsibilities on behalf of the state. Visits, meetings and discussions with the CEOs and the SOE boards, especially to provide the government's policy updates may not be possible. At the Unit level, two staff carry out the oversight role over eleven SOEs on behalf of the state, including coordination with the relevant sector ministries. This staffing arrangement could be viewed as inadequate to fulfil the responsibilities of the government as the owner of the SOEs. In response to this situation, the appointment of two additional staff could allow the duties to be allocated so that each staff person would oversee three SOEs while the director oversees these four officers and focuses primarily on the strategic roles and functions of the new SOE department. The director could focus on meetings and holding discussions with the CEOs and the SOE boards regarding the government's policy priorities and other development plans for the SOEs.

The second strategy is the task of developing a set of corporate governance guidelines for the Solomon Islands SOEs. At the time of the study, the government had yet to develop a set of corporate governance guidelines for its SOEs. As a starting point, the OECD (2015) corporate governance guidelines for the SOEs should be adopted and contextualised in the context of the Solomon Islands SOEs. The set of OECD (2015) guidelines on corporate governance of SOEs contains seven principles: (i) Rationales for state ownership, (ii) The state's role as an owner, (iii) State-owned enterprises in the marketplace, (iv) Equitable treatment of shareholders and other investors, (v) Stakeholder relations and responsible business, (vi) Disclosure and transparency, (vii) The responsibilities of the boards of state-owned enterprises. This set of corporate governance guidelines for the SOEs along with the SOE Act 2007 and SOE Regulations 2020 are important to ensure that the state and its SOEs always adhere to sound corporate governance practices.

The third strategy is establishing a stakeholder consultation/dialogue mechanism. This mechanism should provide a platform to allow SOEs to consult and share experiences of the challenges faced and the resolutions taken to address those challenges. Not only that but in

difficult economic situations, the SOEs can interact to identify the best way forward to keep them operational and continue to provide the basic services under their respective industries and sectors in the country. The fourth strategy is the task of strengthening the sector ministries' oversight roles for their respective SOEs. At the time of the study, there was no clearly documented system in place on how to engage with the SOEs at the ministerial level. The sector ministries' oversight roles for SOEs should be considered as another corporate governance mechanism that should be strengthened similar to the SOE Unit of the Ministry of Finance and Treasury. The oversight role under each sector ministry is focused on regulatory compliance and operational issues specific to the industry of each SOE while the SOE Unit at the Ministry of Finance and Treasury is responsible for the overall oversight role and the funding aspect of the SOEs.

The final suggested strategy is to enhance the administrative protocols of the SOEs. From the accountability aspect of corporate governance, the SOEs should have clear administrative policies, staff support, and relevant training policies and programs. The five strategies should strengthen the corporate governance system of the Solomon Islands SOEs to mitigate or address the *wantok* system or cultural influence on the corporate governance of the Solomon Islands SOEs. Stakeholder theory suggests diverse views on recommended strategies to strengthen the corporate governance of the Solomon Islands SOEs. It also enables the release of progressive updates on the developments within the SOE sector to key stakeholders of the Solomon Islands SOEs.

7.2.5 The strategies to reorientate the wantok system to support corporate governance practices of the Solomon Islands SOEs

The second set of strategies are three strategies to reorientate the *wantok* system to support the corporate governance practices of the Solomon Islands SOEs. These strategies include the following suggested actions. Firstly, the need to have a clear and proper understanding of the *wantok* system, particularly the authentic *wantok* system. The authentic *wantok* system is the traditional *wantok* system that existed during the pre-European era. This *wantok* system is free from the influences of foreign ideologies such as liberalism and capitalism which were brought by colonisers and the Christian code of practice by the missionaries.

The *wantok* system that operated during the pre-European era benefited the members of each ingroup and provided the purpose for which people survived and lived for generations. The *wantok* system practised today is not the authentic *wantok* system as, over time, it has been influenced by the three ideologies and concepts (liberalism, capitalism and Christian practices). The influence of liberalism has weakened the communal fabric of community building and focuses more on the individual; the economic benefit or profit has a catalytic effect to capitalise on corruption opportunities; and the church practices of love and forgiveness encouraged forgiveness and love for the sinners for the wrongs committed. The wrongs committed might have been in the form of bribery, corruption or dishonesty, and people turned to biblical scriptures to explain their humanity and weakness, seeking forgiveness and love from the community. While the practice is good for healing and promoting harmony in the community, the perturbing negative aspect is that people defend those who are wrong and should be charged or convicted.

Secondly, the *wantok* system guidelines could be incorporated into the SOE administrative protocol guidelines to provide a support environment for employees, an avenue for resolving disputes and problems, and a safety net in times of need and disaster. Thirdly, repositioning the *wantok* system to align with the corporate governance system will require a corporate governance model that is compatible with the *wantok* system. The study found that the ethical branch approach to the stakeholder-oriented model is suitable for the Solomon Islands SOEs as its cultural features are similar and possibly compatible with those of the *wantok* system. Aligning the *wantok* system values with that of the Stakeholder-oriented model will bring together the common grounds of the two systems for the success of the Solomon Islands SOEs. Repositioning *wantok* values means that mutual reciprocity under the *wantok* system should apply only in non-familial relationships. These strategies will result in more employees supporting the SOEs and therefore, encouraging good corporate governance practices. Re-orientating the *wantok* system through the stakeholder corporate governance model is consistent with the ethical branch of stakeholder theory and, therefore, a possible strategy to enhance the corporate governance practices of the Solomon Islands SOEs.

7.2.6 Key theoretical findings and implications

This study contributes to broadening the frontiers of corporate governance practices research as put forward by different researchers and theorists. The current research incorporates

the work of (i) Stamkou *et al.* (2019) model of collectivism and tightness culture; (ii) Auyeung and Sands (2003) contribution of horizontal and vertical collectivism; and (iii) Hofstede's (1980) cultural dimensions. Rich understandings have been gained about the acceptance, or moves towards acceptance, of corporate governance practices through three components of the current study. Firstly, looking through the lens of these three cultural influences of (i) collectivism and tightness culture; (ii) horizontal and vertical collectivism; and (iii) Hofstede's (1980) cultural dimensions. These were combined with a cross-sectional qualitative approach to inquiry using a survey and interviews, identified a dichotomy of opinion. Secondly, the scope of the study focusing on the state-owned enterprises sector provided insights into a specific set of corporate governance practices: on an individual and community level. Finally, the study examines the influence of culture on corporate governance practices in the developing countries compared to prior studies that have focused on factors influencing corporate governance practices in developed countries.

The study added two scenarios to Stamkou *et al.*'s (2019) multilevel theoretical model – a modified multilevel theoretical model: The first scenario of the modified multilevel theoretical model is adherence to the *wantok* system norms where sound corporate governance practices are consistent with *wantok* system norms. In this scenario, on an individual level, the SOE leaders who adhere to norms and maintain sound corporate governance practices are more likely to be perceived as having power and will receive support as leaders and, therefore, will not experience moral outrage from the people, communities, relatives and friends. On a country level, only the SOE leaders who adhere to *wantok* system norms will be supported as leaders within a collectivism/tightness/horizontal culture.

The acceptance of corporate governance practices that are similar to *wantok* practices (such as providing a welfare safety net) may be seen as compliance with the *wantok* system. However, there are other sound corporate governance practices, such as removing nepotism through mutual reciprocity *wantok* obligations, that may be regarded as a violation of the *wantok* system's obligations. Such norm violators would be expected to experience resistance to the implementation of such corporate governance practices. That is, SOE leaders who adhere to norms and do not comply with sound corporate governance practices (when corporate governance practices are dissimilar to norms) are likely to gain support as leaders from the people, communities, relatives and friends through power perception and their lack of moral outrage.

The second scenario of the modified multilevel theoretical model is adherence to the *wantok* system norms where the corporate governance practices are not consistent with *wantok* system norms. In this scenario, the SOE leaders who violated norms to maintain sound corporate governance practices are less likely to gain support as leaders. Leaders perceive themselves to have more legislative power or status but in the perception of people, communities, relatives and friends of the leaders, power decreases as does the SOE leaders' appeal as a leader. Consequently, when this lack of leader support occurs, leaders may be more likely to adhere to the *wantok* system norms to avoid loss of cultural status or power and to achieve support as leaders.

SOE leaders who violate norms to maintain sound corporate governance practices will result in moral outrage from the people, communities, and relatives which will lead to a decrease in leader support. Consequently, when this occurs, leaders may be more likely to adhere to the *wantok* system norms to avoid this moral outrage and to retain support as leaders. At a country level, the SOE leaders who do not adhere to *wantok* system norms will not be supported as leaders within a collectivism/tightness/ horizontal culture.

The second scenario is one of the important findings from the study based on Stamkou *et al.*'s (2019) modified multilevel theoretical model. The second scenario relates not only to the Solomon Islands, but also other developing countries in the Pacific region. Identifying those sound corporate governance practices that appear to contradict *wantok* norms highlights areas where careful thought and attention are required in developing strategies to promote sound corporate governance. When strategies to enhance sound corporate governance practices anticipate those aspects of corporate governance where it will be more difficult to bring about change, the strategies can be fine-tuned to overcome the expected resistance. The current study is one of the first studies to use Stamkou *et al.*'s (2019) new multilevel theoretical model but from a qualitative perspective. Using this model under the second scenario, the study provides insights into how the SOE leaders in a position of power are perceived as powerful leaders which may lead to non-compliance to corporate governance practices of the Solomon Islands SOEs due to adherence to cultural norms.

The study also highlighted the dichotomous perspectives of the same research questions from the two contrasting participant groups (SOEs and NSOEs). These diverse views are an important insight as, without gathering data from the two groups, this finding would have been obscured. This is a key finding to consider when designing participant groups to gather data to provide answers to research questions.

This study contributes to the existing knowledge by filling the gap in the body of knowledge on corporate governance challenges, the influence of culture on the corporate governance practices of the SOEs faced by the developing countries, especially in the Oceania region, in contrast to many studies that have been conducted previously in the developed world.

7.3 Limitations

There are several limitations to the study. Firstly, the cross-sectional design used in this research has some limitations. The study is limited by the use of reported data gathered during the interviews and questionnaires. Future research should include observations and content analysis. Secondly, the findings of this study may not be generalisable as they represented only the perceptions and experiences of the participants who took part in the study. While the practice of *wantok* obligations is widespread throughout the Solomon Islands there may be variations of practice in different regions

Thirdly, while the official language is English in the Solomon Islands, it is reported that there are 120 vernacular languages spoken including pidgin (Library of Congress 2007). This diversity of languages may lead to a misunderstanding or misinterpretation of expressing questions and answers. This limitation is related to the notion of ‘strangification’, identified by (Shen 2008, pp. 116-7) as ‘The effort of expressing one’s proposal(s) or questions and answers in a language that is understandable to others, purposely for real mutual understanding about the meaning of what is being said in another language.’ This limitation was minimised as the researcher is fluent in Pidgin English. Fourthly, the researcher encountered difficulties during and immediately after the period of his research fieldwork. The unexpected November 2021 riot took place in Honiara, Solomon Islands, and the COVID-19 community transmission in early January 2022 caused lockdowns and restriction of movements, which delayed data collection.

Regardless of the limitations and the challenges faced, the researcher achieved the objective of interviewing more than 30 participants. The participants provided sufficient information to answer the questions prepared for this study.

7.4 Implications for practice

The findings of the study contribute to understanding the extent of *wantok* system influence on corporate governance practices of the SOEs and the *wantok* system obligation that has the greatest influence on the corporate governance practices of the Solomon Islands SOEs. There are two sets of strategies to deal with *wantok* system influence or cultural influence: firstly, a set of strategies to strengthen the corporate governance system of the SOEs to prevent cultural influence, and secondly, a set of strategies to reorientate the *wantok* system to align with a corporate governance model that is compatible to the *wantok* system.

The findings will be of interest to the governments of the developing countries who have similar cultural issues with the governance of their SOEs. The findings will also assist the governments and the SOEs to take into account pertinent issues relating to culture for the success of SOE reform programs.

Finally, the study provides a basis for governance specialists/practitioners and regulators to carry out future research on the *wantok* system or culture and corporate governance of SOEs in the Solomon Islands and other developing countries of Oceania and elsewhere. Additionally, other developing countries with similar cultural backgrounds may benefit from the study's insights and recommendations.

7.5 Directions for future research

With the limitations of the study, there are some potential areas of opportunity for future research. Future study on the same topic should include a case study approach to include other data-gathering methods such as observations and content analysis. Furthermore, replicating the current study using the second scenario of Stamkou *et al.*'s (2019) modified multilevel theoretical model in similar cultures of the developing countries in the Pacific region could be another opportunity to explore. This type of study could increase the generalisability of the findings of the current study.

In this study, the modified multilevel theoretical model, drawing on the work of Stamkou *et al.* (2019), applied two levels: the individual level and the country level. Future research could expand the model to include the organisational culture level. The research would establish whether a strong organisational culture can mitigate the influence of the country's national culture.

The study did not establish the reason for the contrasting results between the two participant groups (SOEs and NSOEs) as it is beyond the scope of the current study. Consequently, there is opportunity for research to examine the cause of the different perceptions of the two participant groups. Also, future research could examine whether location (city/urban versus rural/community) influences the dichotomy of opinion on the level of influence of the *wantok* system.

Finally, further study into how the Chinese classification of mutual reciprocity could be applied in the context of the *wantok* system in the Solomon Islands and the cultures of other Pacific Island countries is another research opportunity.

7.6 Conclusion

This chapter summarises the key contributions from the study focusing on the extent of the *wantok* system influence and the mutual reciprocity obligation that has the greatest influence on the corporate governance practices of the Solomon Islands SOEs. Two possible explanations for the *wantok* system influence, power perception at the individual level and the collectivist-tightness culture of the *wantok* system also have a part in the decision-making of the SOE leaders to gain support from families, relatives and communities.

To deal with the *wantok* system influence, the study recommended two sets of strategies. The first set of strategies relates to strengthening the corporate governance system of the Solomon Islands SOEs. The second set of strategies focuses on the re-orientation of the *wantok* system to align with the stakeholder-oriented corporate governance model which is compatible with the *wantok* system of the Solomon Islands. The chapter also provides key theoretical findings and implications, limitations and implications for practice. Finally, the chapter outlines the directions for further research and ends with a conclusion.

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APPENDICES

APPENDIX A

Appendix A: Major Elements of the Sarbanes-Oxley Act 2002

(US Office of the Federal Register (2002, July 30), pp. 750 - 810)

The Sarbane-Oxley Act 2002 or SOX as it may referred to in short, includes the following major elements:

- (i) **Public Company Accounting Oversight Board** - Title I consists of nine sections and establishes the Public Company Accounting Oversight Board, to provide independent oversight of public accounting firms providing audit services ("auditors"). It also creates a small central oversight board tasked with registering auditors, defining the specific processes and procedures for compliance audits, inspecting and policing conduct and quality control, and enforcing compliance with the specific mandates of SOX.
- (ii) **Auditor Independence** - Title II consists of nine sections and establishes standards for external auditor independence, to limit conflicts of interest. It also addresses new auditor approval requirements, audit partner rotation, and auditor reporting requirements. It restricts auditing companies from providing non-audit services (e.g., consulting) for the same clients.
- (iii) **Corporate Responsibility** - Title III consists of eight sections and mandates that senior executives take individual responsibility for the accuracy and completeness of corporate financial reports. It defines the interaction of external auditors and corporate audit committees, and specifies the responsibility of corporate officers for the accuracy and validity of corporate financial reports. It enumerates specific limits on the behaviours of corporate officers and describes specific forfeitures of benefits and civil penalties for non-compliance. For example, Section 302 requires that the company's "principal officers" (typically the chief executive officer and chief financial officer) certify and approve the integrity of their company financial reports quarterly.[10]
- (iv) **Enhanced Financial Disclosures** - Title IV consists of nine sections. It describes enhanced reporting requirements for financial transactions, including off-balance-sheet transactions, pro-forma figures and stock transactions of corporate officers. It requires internal controls for assuring the accuracy of financial reports and disclosures, and mandates both audits and reports on those controls. It also requires timely reporting of material changes in financial condition and specific enhanced reviews by the SEC or its agents of corporate reports.
- (v) **Analyst Conflicts of Interest** - Title V consists of only one section, which includes measures designed to help restore investor confidence in the reporting of securities analysts. It defines the codes of conduct for securities analysts and requires disclosure of knowable conflicts of interest.

- (vi) **Commission Resources and Authority** - Title VI consists of four sections and defines practices to restore investor confidence in securities analysts. It also defines the SEC's authority to censure or bar securities professionals from practice and defines conditions under which a person can be barred from practising as a broker, advisor, or dealer.
- (vii) **Studies and Reports** - Title VII consists of five sections and requires the Comptroller General and the SEC to perform various studies and report their findings. Studies and reports include the effects of consolidation of public accounting firms, the role of credit rating agencies in the operation of securities markets, securities violations, and enforcement actions, and whether investment banks assisted Enron, Global Crossing, and others to manipulate earnings and obfuscate true financial conditions.
- (viii) **Corporate and Criminal Fraud Accountability** - Title VIII consists of seven sections and is also referred to as the "Corporate and Criminal Fraud Accountability Act of 2002". It describes specific criminal penalties for manipulation, destruction or alteration of financial records or other interference with investigations, while providing certain protections for whistle-blowers.
- (ix) **White Collar Crime Penalty Enhancement** - Title IX consists of six sections. This section is also called the "White Collar Crime Penalty Enhancement Act of 2002". This section increases the criminal penalties associated with white-collar crimes and conspiracies. It recommends stronger sentencing guidelines and specifically adds failure to certify corporate financial reports as a criminal offence.
- (x) **Corporate Tax Returns** - Title X consists of one section. Section 1001 states that the chief executive officer should sign the company tax return.
- (xi) **Corporate Fraud Accountability** - Title XI consists of seven sections. Section 1101 recommends a name for this title as "Corporate Fraud Accountability Act of 2002". It identifies corporate fraud and records tampering as criminal offences and joins those offences to specific penalties. It also revises sentencing guidelines and strengthens their penalties. This enables the SEC to resort to temporarily freezing transactions or payments that have been deemed "large" or "unusual". It also created the crime of obstructing an official proceeding.
- (xii) **Obstructing an official proceeding** - Obstructing an official proceeding is a felony under U.S. federal law. It was enacted as part of the Sarbanes-Oxley Act of 2002 as a reaction to the Enron scandal, and closed a legal loophole on who could be charged with evidence tampering by defining the new crime very broadly. It later became known for its use as a charge against defendants associated with the 2021 U.S. Capitol attack for attempting to obstruct that year's Electoral College vote count.

APPENDIX B

Appendix B: Summary of the OECD Guidelines on Corporate Governance of State-Owned Enterprises – 2015 Edition

(OECD 2015, pp. 19 - 29)

Principle I: Rationales for state ownership

The state exercises the ownership of SOEs in the interest of the general public. It should carefully evaluate and disclose the objectives that justify state ownership and subject these to a recurrent review.

- A. The ultimate purpose of state ownership of enterprises should be to maximise value for society, through an efficient allocation of resources.
- B. The government should develop an ownership policy. The policy should inter alia define the overall rationales for state ownership, the state's role in the governance of SOEs, how the state will implement its ownership policy, and the respective roles and responsibilities of those government offices involved in its implementation.
- C. The ownership policy should be subject to appropriate procedures of political accountability and disclosed to the general public. The government should review at regular intervals its ownership policy.
- D. The state should define the rationales for owning individual SOEs and subject these to recurrent review. Any public policy objectives that individual SOEs, or groups of SOEs, are required to achieve should be clearly mandated by the relevant authorities and disclosed.

Principle II: The state's role as an owner

The state should act as an informed and active owner, ensuring that the governance of SOEs is carried out in a transparent and accountable manner, with a high degree of professionalism and effectiveness.

- A. Governments should simplify and standardise the legal forms under which SOEs operate. Their operational practices should follow commonly accepted corporate norms.
- B. The government should allow SOEs full operational autonomy to achieve their defined objectives and refrain from intervening in SOE management. The government as a shareholder should avoid redefining SOE objectives in a non-transparent manner.
- C. The state should let SOE boards exercise their responsibilities and should respect their independence.

- D. The exercise of ownership rights should be clearly identified within the state administration. The exercise of ownership rights should be centralised in a single ownership entity, or, if this is not possible, carried out by a coordinating body. This “ownership entity” should have the capacity and competencies to effectively carry out its duties.
- E. The ownership entity should be held accountable to the relevant representative bodies and have clearly defined relationships with relevant public bodies, including the state supreme audit institutions.
- F. The state should act as an informed and active owner and should exercise its ownership rights according to the legal structure of each enterprise.

Principle III: State-owned enterprises in the marketplace

Consistent with the rationale for state ownership, the legal and regulatory framework for SOEs should ensure a level playing field and fair competition in the marketplace when SOEs undertake economic activities.

- A. There should be a clear separation between the state’s ownership function and other state functions that may influence the conditions for state-owned enterprises, particularly with regard to market regulation.
- B. Stakeholders and other interested parties, including creditors and competitors, should have access to efficient redress through unbiased legal or arbitration processes when they consider that their rights have been violated.
- C. Where SOEs combine economic activities and public policy objectives, high standards of transparency and disclosure regarding their cost and revenue structures must be maintained, allowing for an attribution to main activity areas.
- D. Costs related to public policy objectives should be funded by the state and disclosed.
- E. As a guiding principle, SOEs undertaking economic activities should not be exempt from the application of general laws, tax codes and regulations. Laws and regulations should not unduly discriminate between SOEs and their market competitors. SOEs’ legal form should allow creditors to press their claims and to initiate insolvency procedures.
- F. SOEs’ economic activities should face market consistent conditions regarding access to debt and equity finance.

Principle IV: Equitable treatment of shareholders and other investors

Where SOEs are listed or otherwise include non-state investors among their owners, the state and the enterprises should recognise the rights of all shareholders and ensure shareholders' equitable treatment and equal access to corporate information.

- A. The state should strive towards full implementation of the OECD Principles of Corporate Governance when it is not the sole owner of SOEs, and of all relevant sections when it is the sole owner of SOEs. Concerning shareholder protection this includes:
- B. National corporate governance codes should be adhered to by all listed and, where practical, unlisted SOEs.
- C. Where SOEs are required to pursue public policy objectives, adequate information about these should be available to non-state shareholders at all times.
- D. When SOEs engage in co-operative projects such as joint ventures and public-private partnerships, the contracting party should ensure that contractual rights are upheld and that disputes are addressed in a timely and objective manner.

Principle V: Stakeholder relations and responsible business

The state ownership policy should fully recognise SOEs' responsibilities towards stakeholders and request that SOEs report on their relations with stakeholders. It should make clear any expectations the state has in respect of responsible business conduct by SOEs.

- A. Governments, the state ownership entities and SOEs themselves should recognise and respect stakeholders' rights established by law or through mutual agreements.
- B. Listed or large SOEs should report on stakeholder relations, including where relevant and feasible with regard to labour, creditors and affected communities.
- C. The boards of SOEs should develop, implement, monitor and communicate internal controls, ethics and compliance programmes or measures, including those which contribute to preventing fraud and corruption. They should be based on country norms, in conformity with international commitments and apply to the SOE and its subsidiaries.
- D. SOEs should observe high standards of responsible business conduct. Expectations established by the government in this regard should be publicly disclosed and mechanisms for their implementation be clearly established.
- E. SOEs should not be used as vehicles for financing political activities. SOEs themselves should not make political campaign contributions.

Principle VI: Disclosure and transparency

State-owned enterprises should observe high standards of transparency and be subject to the same high-quality accounting, disclosure, compliance and auditing standards as listed companies.

- A. SOEs should report material financial and non-financial information on the enterprise in line with high quality internationally recognised standards of corporate disclosure and including areas of significant concern for the state as an owner and the general public. This includes in particular SOE activities that are carried out in the public interest.
- B. SOEs' annual financial statements should be subject to an independent external audit based on high-quality standards. Specific state control procedures do not substitute for an independent external audit.
- C. The ownership entity should develop consistent reporting on SOEs and publish annually an aggregate report on SOEs. Good practice calls for the use of web-based communications to facilitate access by the general public.

Principle VII: The responsibilities of the boards of state-owned enterprises

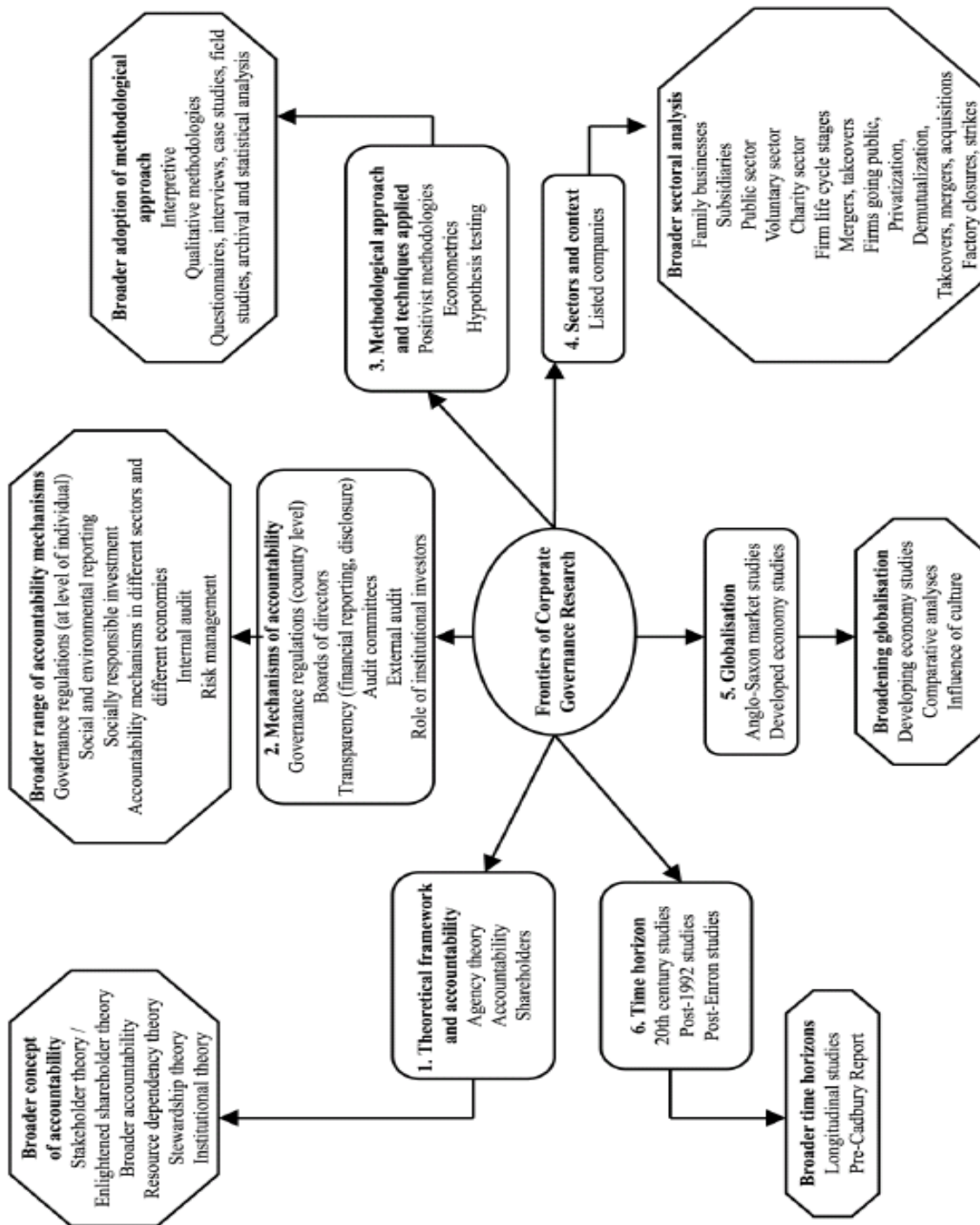
The boards of SOEs should have the necessary authority, competencies and objectivity to carry out their functions of strategic guidance and monitoring of management. They should act with integrity and be held accountable for their actions.

- A. The boards of SOEs should be assigned a clear mandate and ultimate responsibility for the enterprise's performance. The role of SOE boards should be clearly defined in legislation, preferably according to company law. The board should be fully accountable to the owners, act in the best interest of the enterprise and treat all shareholders equitably.
- B. SOE boards should effectively carry out their functions of setting strategy and supervising management, based on broad mandates and objectives set by the government. They should have the power to appoint and remove the CEO. They should set executive remuneration levels that are in the long-term interest of the enterprise.
- C. SOE board composition should allow the exercise of objective and independent judgement. All board members, including any public officials, should be nominated based on qualifications and have equivalent legal responsibilities.
- D. Independent board members, where applicable, should be free of any material interests or relationships with the enterprise, its management, other major shareholders and the ownership entity that could jeopardise their exercise of objective judgement.

- E. Mechanisms should be implemented to avoid conflicts of interest preventing board members from objectively carrying out their board duties and to limit political interference in board processes.
- F. The Chair should assume responsibility for boardroom efficiency and, when necessary in coordination with other board members, act as the liaison for communications with the state ownership entity. Good practice calls for the Chair to be separate from the CEO.
- G. If employee representation on the board is mandated, mechanisms should be developed to guarantee that this representation is exercised effectively and contributes to the enhancement of the board skills, information and independence.
- H. SOE boards should consider setting up specialised committees, composed of independent and qualified members, to support the full board in performing its functions, particularly in respect to audit, risk management and remuneration. The establishment of specialised committees should improve boardroom efficiency and should not detract from the responsibility of the full board.
- I. SOE boards should, under the Chair's oversight, carry out an annual, well-structured evaluation to appraise their performance and efficiency.
- J. SOEs should develop efficient internal audit procedures and establish an internal audit function that is monitored by and reports directly to the board and to the audit committee or the equivalent corporate organ.

APPENDIX C

Appendix C: Frontiers of corporate governance research in accounting and finance



Source: Brennan and Solomon (2008, p. 891)

APPENDIX D

Appendix D: Questionnaire guide



University of Southern Queensland

Research Project Questionnaire

SQ-SOE&NSOE GBS: _____

Corporate governance practices of the Solomon Islands State-Owned Enterprises and the *wantok* system influence

Introductory remarks: This questionnaire form is prepared as part of my research instrument to gather data towards my doctoral research program. The purpose of the survey is to determine the extent of the *wantok* system influence on the corporate governance practices of the Solomon Islands state-owned enterprises. Your willingness to participate will add value to this research and therefore, is greatly appreciated. Please kindly complete the questionnaire form before your scheduled interview date. The completed questionnaire will be collected at the start of the interview.

Part A – Demographic Information

Please indicate your answers with a tick (✓) in the boxes under each question in Part A and make comments under Other (Please specify) where necessary.

- | | | |
|--|--|--|
| <p>1) Occupation</p> <p><input type="checkbox"/> Board member</p> <p><input type="checkbox"/> Management staff</p> <p><input type="checkbox"/> General Staff</p> <p><input type="checkbox"/> Other (Please specify): _____</p> | <p>2) Age</p> <p><input type="checkbox"/> Less than 30 yrs</p> <p><input type="checkbox"/> 30 - 39 yrs</p> <p><input type="checkbox"/> 40 - 49 yrs</p> <p><input type="checkbox"/> 50 - 59 yrs</p> <p><input type="checkbox"/> 60 yrs & above</p> | <p>3) Gender: How do you identify?</p> <p><input type="checkbox"/> Male</p> <p><input type="checkbox"/> Female</p> <p><input type="checkbox"/> Non-binary</p> <p><input type="checkbox"/> Prefer to self-describe below: _____</p> |
| <p>4) Years in your current occupation?</p> <p><input type="checkbox"/> Less than one year</p> <p><input type="checkbox"/> 1 - 5 years</p> <p><input type="checkbox"/> 6 - 10 years</p> <p><input type="checkbox"/> 11 - 15 years</p> <p><input type="checkbox"/> 16 - 20 years</p> <p><input type="checkbox"/> Over 20 years</p> | <p>5) Religion/Church</p> <p><input type="checkbox"/> Anglican Church of Melanesia</p> <p><input type="checkbox"/> Catholic Church of Sol. Islands</p> <p><input type="checkbox"/> United Church of Sol. Islands</p> <p><input type="checkbox"/> Seventh Day Adventist</p> <p><input type="checkbox"/> South Seas Evangelical Church</p> <p><input type="checkbox"/> Not a member of religious faith</p> <p><input type="checkbox"/> Other (Please specify): _____</p> | <p>6) Province of origin</p> <p><input type="checkbox"/> Central Province</p> <p><input type="checkbox"/> Choiseul Province</p> <p><input type="checkbox"/> Guadalcanal Province</p> <p><input type="checkbox"/> Isabel Province</p> <p><input type="checkbox"/> Makira-Ulawa Province</p> <p><input type="checkbox"/> Malaita Province</p> <p><input type="checkbox"/> Rennell-Bellona Province</p> <p><input type="checkbox"/> Temotu Province</p> <p><input type="checkbox"/> Western Province</p> <p><input type="checkbox"/> Honiara</p> <p><input type="checkbox"/> Other: _____</p> |
| <p>7) Highest Education/Qualification Attained</p> <p><input type="checkbox"/> High School Level, Yr: _____</p> <p><input type="checkbox"/> Foundation Level, Yr: _____</p> <p><input type="checkbox"/> Certificate Level, Yr: _____</p> <p><input type="checkbox"/> Diploma Level, Yr: _____</p> <p><input type="checkbox"/> Bachelor's Degree, Yr: _____</p> | <p>8) Specialised Field of Study</p> <p><input type="checkbox"/> Accounting/Auditing</p> <p><input type="checkbox"/> Management</p> <p><input type="checkbox"/> Economics</p> | <p>9) Other Professional Qualifications</p> |

Postgraduate Degree, Yr: _____

Business

None

Master's Degree, Yr: _____

Computer/IT

CPA/ASA

Doctoral Degree, Yr: _____

Other (Please specify): _____

Other (Please specify): _____

10) Year completed the Highest Award _____

Part B – Wantok System Influence on the Corporate Governance Practices

11) In your opinion, to what extent, does the *wantok* system (Common language) influenced the following corporate governance practices of the SOEs? Please indicate by circling the appropriate number that represents your opinion.

Corporate governance practices	<u>Very small</u>	<u>Small</u>	<u>Moderate</u>	<u>Large</u>	<u>Very large</u>
1. Recruitment practices in the SOEs	1	2	3	4	5
2. Appointment of the board of directors	1	2	3	4	5
3. Awarding of contracts	1	2	3	4	5
4. Fair treatment of customers	1	2	3	4	5

12) In your opinion, to what extent, does the *wantok* system (Common kinship) influenced the following corporate governance practices of the SOEs? Please indicate by circling the appropriate number that represents your opinion.

Corporate governance practices	<u>Very small</u>	<u>Small</u>	<u>Moderate</u>	<u>Large</u>	<u>Very large</u>
1. Recruitment practices in the SOEs	1	2	3	4	5
2. Appointment of the board of directors	1	2	3	4	5
3. Awarding of contracts	1	2	3	4	5
4. Fair treatment of customers	1	2	3	4	5

13) In your opinion, to what extent, does the *wantok* system (Common geographical area of origin) influenced the following corporate governance practices of the SOE? Please indicate by circling the appropriate number that represents your opinion.

Corporate governance practices	<u>Very small</u>	<u>Small</u>	<u>Moderate</u>	<u>Large</u>	<u>Very large</u>
1. Recruitment practices in the SOEs	1	2	3	4	5
2. Appointment of the board of directors	1	2	3	4	5
3. Awarding of contracts	1	2	3	4	5
4. Fair treatment of customers	1	2	3	4	5

14) In your opinion, to what extent, does the *wantok* system (Social associations or religious groups) influenced the following corporate governance practices of the SOEs? Please indicate by circling the appropriate number that represents your opinion.

Corporate governance practices	<u>Very small</u>	<u>Small</u>	<u>Moderate</u>	<u>Large</u>	<u>Very large</u>
1. Recruitment practices in the SOEs	1	2	3	4	5
2. Appointment of the board of directors	1	2	3	4	5
3. Awarding of contracts	1	2	3	4	5
4. Fair treatment of customers	1	2	3	4	5

- 15) In your opinion, to what extent, does the *wantok* system (Mutual reciprocity) influenced the following corporate governance practices of the SOEs? Please indicate by circling the appropriate number that represents your opinion.

Corporate governance practices	Very small	Small	Moderate	Large	Very large
1. Recruitment practices in the SOEs	1	2	3	4	5
2. Appointment of the board of directors	1	2	3	4	5
3. Awarding of contracts	1	2	3	4	5
4. Fair treatment of customers	1	2	3	4	5

- 16) Please provide any other comments that in your opinion should be useful for this research.

.....

Thank you for your participation

APPENDIX E

Appendix E: Interview guide



University of Southern Queensland

USQ Research Project Interview

IQ-SOE&NSOE- AGI #: _____

Corporate governance practices of the Solomon Islands state-owned enterprises and the *wantok* system influence

Introduction.

- Brief introduction
- Purpose of this interview: to identify the *wantok* system obligation that have the greatest influence on the corporate governance practices of the Solomon Islands SOEs and identify the strategies to strengthen the corporate governance system and the strategies to reorientate the *wantok* system to support the corporate governance practices mechanisms of the state-owned enterprises in the Solomon Islands.
- Brief comment on confidentiality, duration, how interview will be conducted, opportunity for questions, etc.

INTERVIEW GUIDE QUESTIONS

- 1) The literature has identified five (5) common characteristics of *wantok* system: (i) common language (*wantok* = one talk), (ii) common kinship group, (iii) common geographical area of origin, (iv) common social associations or religious groups, (v) common belief in the principle of mutual reciprocity.

I would like to discuss each of these in detail:

- a) Please tell me about the common language (*wantok*) characteristic:
- Do you think the majority of management staff recruited in your SOE speak a common language – that is apart from English and Pidgin English?
 - If yes, what is the name of that language?
 - Do you think the majority of the management staff were recruited because they have a *wantok* in the position dealing with the recruitment or speaks the same language to the Board Chairperson or a board member?
 - Perhaps, you may wish to discuss a scenario that you might have come across during your interaction with other SOEs or stakeholders.
 - What is the name of the SOE referred to in this scenario?
- b) Next, is the common kinship group characteristic: Please tell me about any board member or management staff whom you may have come across that are related (may be from the same kinship, tribe, or clan) and are working in your SOE.
- How are they related, e.g. uncle, niece, nephew, etc.?
 - Do the staff whom you know being related are working at the general staff level or management and the general staff level or at the board level?
 - Do you think they have gone through the recruitment process? Or what could have happened in this situation according to your opinion?
- c) Next, is the common geographical area of origin: Please tell me more about your staff in terms of their Province of origin.
- Which Province (incl. cultural areas, etc.) has the highest number of staff in your SOE?
 - How many of the management staff are from this Province?
 - How many of the board members are from this Province?
 - What is the reason for having a large number of staff from this particular Province in your SOE?
 - Perhaps, you may wish to discuss any possible link between managers or board members from the same Province.
 - What other reasons do you think may have contributed to the increased number of staff from this particular Province?
- d) Next, is the common social associations or religious groups: Please tell me whether the staff of your SOE are members of social associations or religious groupings or churches in the Solomon Islands.
- Do you think the majority of the staff of your SOE in the Solomon Islands are members of the Christian Churches?
 - What Christian denomination do you think has the highest representation in your SOE?

Page 1 of 2

- What is the reason for the high number of staff represented by this particular church group?
 - In terms of social associations, do think there are social groups within the SOEs that exist to provide social interactions etc. for their members? Perhaps, you can share an example that you may have come across during your interactions with any SOE staff in the past.
- e) Next, is the common belief in the principle of mutual reciprocity: Please tell me whether the principle of mutual reciprocity is commonly practiced in your SOE.
- Please tell me about any instance where favouritism is practiced because of the mutual reciprocity principle.
 - Is there a case where a management staff is favoured for recruitment or promotion because he or she is closely associated with the Chairman or a member of your Board?
 - Please describe in your own words an occasion where the mutual reciprocity principle is practiced.
- 2) In your opinion, which of the *wantok* system obligations (language, kinship, geographical area of origin, social associations or religious groups or mutual reciprocity) have the greatest influence on the following four corporate governance practices:
- a) Recruitment practices
 - b) Appointment of the board of directors
 - c) Awarding of contracts
 - d) Fair treatment of customers
- 3) In your opinion, what strategies do you think the SOEs in general should pursue to strengthen the corporate governance system of the Solomon Islands SOEs?
- 4) In your own opinion, what strategies do you think should be adopted to re-orientate *wantok* system to support corporate governance practices of the Solomon Islands SOEs? Do you think the *wantok* system can positively enhance the corporate governance practices in your SOE?.
- 5) Please provide any other comments that in your opinion should be useful for this research.

.....

Thank you for your participation

APPENDIX F

Appendix F: Participant's information guide



University of Southern Queensland

Participant Information for USQ Research Project

Project Details

Title of Project: Corporate governance practices of the Solomon Islands state-owned enterprises and the *wantok* system influence
Human Research Ethics Approval Number: H20REA306

Research Team Contact Details

Principal Investigator Details

Mr. Emmanuel Joseph Iyabora
Email:

Supervisor Details

Prof John Sands
Email:

Co-Supervisor Details

Dr. Lynette Daff
Email:

Description

This project is being undertaken as part of a Doctor of Philosophy in Business and Commerce program at the University of the Southern Queensland, Australia.

The study aims to explore how strategies may be implemented to enhance the acceptance of corporate governance practices of the Solomon Islands' SOEs through understanding the influence of the *wantok* system. The study, therefore, investigates the extent to which the *wantok* system influences corporate governance practices and identifies the *wantok* system obligation that has the greatest influence on the corporate governance practices of the Solomon Islands State-Owned Enterprises (SOEs). In addition, the study identifies the strategies to strengthen the corporate governance system and the strategies to reorientate the *wantok* system to enhance corporate governance practices of the Solomon Islands SOEs.

The research team requests your kind assistance because of the important role you have in relation to the SOE(s).

Participation

Your participation will involve the completion of a questionnaire form and an interview.

The interview will take place at a time and venue that is convenient to you. The interview will be audio recorded. If you do not wish for recording to occur, please advise the researcher.

Your participation in this project is entirely voluntary. If you do not wish to take part, you are not obliged to. If you decide to take part and later change your mind, you are free to withdraw from the project at any stage. You may also request that any data collected about you be withdrawn and confidentially destroyed. If you do wish to withdraw from this project, please contact the Research Team (contact details at the top of this form).

Your decision whether you take part, do not take part, or to take part and then withdraw, will in no way impact your current or future relationship with the University of Southern Queensland.

Expected Benefits

Although this project may not directly benefit you, the opportunity will provide a deeper realization and understanding of the *wantok* system influence on the corporate governance practices and the relevant strategies to strengthen the corporate governance system and the strategies to reorientate the *wantok* system to support corporate governance practices in the Solomon Islands state-owned enterprises. This may be helpful in understanding and resolving the *wantok* system issues on the governance of the Solomon Islands SOEs.

Another benefit, perhaps, could be an area of research if the participants are considering the opportunity of taking up further studies and research in corporate governance and the *wantok* system influence, more particularly the corporate governance of the Solomon Islands state-owned enterprises.

Risks

There may be minimal risks such as, taking time off from official working hours to complete the questionnaire and participate in the interview session.

To minimize the risks, notification on the survey, time and venue schedules will be made before hand so that pre-arrangements and approval from the superiors are obtained for you to complete the questionnaire and participate in the interview.

Privacy and Confidentiality

All comments and responses will be treated confidentially unless required by law. Therefore, names of individual persons are not required in any of the responses.

The research data will be protected during the research process from the collection to the publication stage. Names and the locations of all the participants will remain anonymous all throughout the research and only identifier codes will be used in the analysis.

The participant's data will be made available for future research purposes for similar projects, and the data will be stored and shared as re-identifiable data and individually identifiable data.

The project summary results will be provided to the participants upon completion of the analysis for information and further comments where necessary.

Finally, any data collected as a part of this project will be stored securely as per University of Southern Queensland's [Research Data Management policy](#).

Consent to Participate

We would like to ask you to sign the written consent forms (enclosed) to confirm your agreement to participate in this project. Please return your signed consent forms to a member of the Research Team prior to participating in the interview.

Questions or Further Information about the Project

Please refer to the Research Team Contact Details at the top of the form to have any questions answered or to request further information about this project.

Concerns or Complaints Regarding the Conduct of the Project

If you have any concerns or complaints about the ethical conduct of the project, you may contact the University of Southern Queensland Manager of Research Integrity and Ethics on +61 7 4631 1839 or email researchintegrity@usq.edu.au. The Manager of Research Integrity and Ethics is not connected with the research project and can facilitate a resolution to your concern in an unbiased manner.

Thank you for taking the time to complete the questionnaire form and your help in this research

APPENDIX G1

Appendix G1: Consent form - Questionnaire



University of Southern Queensland

Consent Form for USQ Research Project Questionnaire

Project Details

Title of Project: Corporate governance practices of the Solomon Islands state-owned enterprises and the *wantok* system influence
Human Research Ethics Approval Number: H20REA306

Research Team Contact Details

Principal Investigator Details

Mr. Emmanuel Joseph Iyabora
Email:

Supervisor Details

Prof John Sands
Email:

Co-Supervisor Details

Dr. Lynette Daff
Email:

Statement of Consent

By signing below, you are indicating that you:

- Have read and understood the information document regarding this project. Yes / No
- Have had any questions answered to your satisfaction. Yes / No
- Understand that if you have any additional questions you can contact the research team. Yes / No
- Are over 18 years of age. Yes / No
- Understand that any data collected may be used in future research activities Yes / No
- Agree to participate in the project. Yes / No

Participant Name

Participant Signature

Date

Please return this sheet to a Research Team member prior to undertaking the questionnaire.

APPENDIX G2

Appendix G2: Consent form - Interview



University of Southern Queensland

Consent Form for USQ Research Project Interview

Project Details

Title of Project: Corporate governance practices of the Solomon Islands state-owned enterprises and the *wantok* system influence
Human Research Ethics Approval Number: H20REA306

Research Team Contact Details

Principal Investigator Details	Supervisor Details	Co-Supervisor Details
Mr. Emmanuel Joseph Iyabora	Prof John Sands	Dr. Lynette Daff
Email:	Email:	Email:

Statement of Consent

By signing below, you are indicating that you:

- Have read and understood the information document regarding this project. Yes / No
- Have had any questions answered to your satisfaction. Yes / No
- Understand that if you have any additional questions you can contact the research team. Yes / No
- Understand that the interview will be audio recorded. Yes / No
- Understand that you can participate in the interview without being audio recorded. Yes / No
- If you **do not** want to be audio recorded during the interview, please initial here: _____
- Are over 18 years of age. Yes / No
- Understand that any data collected may be used in future research activities Yes / No
- Agree to participate in the project. Yes / No

Participant Name

Participant Signature

Date

Please return this sheet to a Research Team member prior to undertaking the interview.